

# **County of Wexford Cadillac, Michigan**

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**Financial Report  
with Supplemental Information  
December 31, 2003**

# County of Wexford, Michigan

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## Independent Auditor's Report

To the Board of County Commissioners  
Wexford County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wexford County, Michigan as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Wexford, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Wexford, Michigan as of December 31, 2003 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of County Commissioners  
Wexford County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Wexford, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2004 on our consideration of the County of Wexford, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 12, the County has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of January 1, 2003.

*Plante & Moran, PLLC*

May 6, 2004

# County of Wexford, Michigan

## Management's Discussion and Analysis

### Overview of the Financial Statements

The County's audit report consists of the following:

- Management's discussion and analysis
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplemental information
- Other supplemental information

During the year ended December 31, 2003, Wexford County fully implemented Governmental Accounting Standards Board Statement No. 34. This accounting pronouncement adds, among other changes, government-wide financial statements, which provide a broad, long-term overview of the County's finances.

The government-wide financial statements present three types of activities:

### ***Governmental Activities***

These are the activities and/or services that are primarily funded through property taxes and state revenue sharing. To a lesser extent, fees, grants, and contributions from other entities are used to provide funding for a portion of the cost. Examples of governmental activities include:

- Judicial
- General government
- Public safety
- Health and welfare
- Community development
- Recreation and culture

### ***Business-type Activities***

These are activities supported by fees exclusively and/or activities that are business-like in nature. Examples include:

- Water and wastewater
- Sanitary landfill
- Delinquent tax
- Other business-type activities such as recycling, land reutilization, and water and sewer systems

# County of Wexford, Michigan

## Management's Discussion and Analysis (Continued)

### *Component Units that Need to be Shown Due to Reporting Requirements*

- Transit Authority
- Airport Authority
- Wexford-Cadillac Library
- Wexford County Road Commission

The first two categories are the most important in determining the County's financial health from the vantage point of day-to-day operations of activities overseen by the Board of Commissioners.

There are two government-wide financial statements - the statement of net assets and the statement of activities. The statement of net assets presents information on County assets and liabilities with the difference shown as net assets. Particular attention should be paid to the increases or decreases of net assets from period to period, which provide useful information on the direction of the County's financial position over time.

The statement of activities provides information on how net assets government-wide have changed during the fiscal year. This document reflects information on:

- Income
- Expenses
- Increases or decreases in net assets

The government-wide financial statements are presented on the full accrual basis of accounting, with an emphasis on measuring all economic resources, not just the current financial resources that are depicted in the fund financial statements.

Following the government-wide statements, fund financial statements are provided for Wexford County's major funds with one column provided for the total activity of all the nonmajor funds. Major funds are determined based upon the size of the activity of the individual funds in relation to the total activity of the County. These statements are grouped into three distinct categories:

- Government funds, which account for such activities as public safety, judicial, and administration
- Proprietary funds, such as water and wastewater, sanitary landfill, and delinquent tax funds
- Fiduciary funds, which account for resources held for outside parties. Examples of these funds would be restitutions and property tax distributions.

# **County of Wexford, Michigan**

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## **Management's Discussion and Analysis (Continued)**

A reconciliation between the fund financial statements and the government-wide financial statements is provided, following the fund financial statements. The differences between the statements of net assets and the governmental funds balance sheet relate primarily to the inclusion of capital assets and long-term liabilities in the government-wide statement of net assets, which are not included in the governmental fund balance sheet. The differences between the statement of activities and the statement of revenues, expenditures, and changes in fund balances relate primarily to the timing of reporting capital outlays and debt principal payments, which are reported as expenditures in the fund financial statements and as increases in assets and reduction of liabilities in the government-wide financial statements. Additional differences relate to the timing of the recognition of certain revenues and expenditures such as bond proceeds, accrued interest, and accrued employee benefits, such as leave time.

### **Financial Position and Results of Operations of the County as a Whole**

The County had an increase of \$1,741,688 in net assets in its governmental activities for the fiscal year ended December 31, 2003. Included in this increase are transfers of resources from the County's business-type activities, including a transfer from the Unrestricted Tax Fund of \$1,957,455, which was used to pay off the entire bond issue related to the Civic Arena, and a transfer of resources from the Sanitary Landfill Fund of \$339,713, which was used to pay the current principal and interest due on the bonds related to the courthouse expansion. If these two transfers did not occur, the County's governmental activities would have had a decrease in net assets of approximately \$550,000. This decrease is attributable to the cost of many of the different services that the County provides to its residents.

The County had a decrease of \$2,221,218 in its business-type activities for the fiscal year ended December 31, 2003. Included in this decrease are the transfers mentioned above. If the transfers did not occur, the County's business-type activities would have had an increase in net assets of \$76,000. The relatively constant level of net assets in the business-type activities is attributable to operating income in the delinquent tax funds of \$620,000 offset by an operating loss of \$630,000 in the Sanitary Landfill Fund.



# County of Wexford, Michigan

## Management's Discussion and Analysis (Continued)

In condensed form, the tables below show net assets and changes in net assets from the County's governmental and business-type activities:

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets	\$ 11,669,183	\$ 18,744,716	\$ 30,413,899
Noncurrent assets:			
Restricted assets	-	1,294,537	1,294,537
Capital assets	<u>7,973,401</u>	<u>5,676,968</u>	<u>13,650,369</u>
Total assets	19,642,584	25,716,221	45,358,805
<b>Liabilities</b>			
Current liabilities	7,428,401	610,433	8,038,834
Long-term liabilities	<u>5,445,346</u>	<u>6,147,183</u>	<u>11,592,529</u>
Total liabilities	<u>12,873,747</u>	<u>6,757,616</u>	<u>19,631,363</u>
<b>Net Assets</b>			
Invested in capital assets -			
Net of related debt	3,253,401	4,305,889	7,559,290
Restricted	1,521,946 *	-	1,521,946
Unrestricted (deficit)	<u>1,993,490 **</u>	<u>14,652,716 ***</u>	<u>16,646,206</u>
Total net assets	<u>\$ 6,768,837</u>	<u>\$ 18,958,605</u>	<u>\$ 25,727,442</u>

\* See Note 9

\* Includes General Fund

\*\*\* Includes Landfill and Tax Delinquent Funds

# County of Wexford, Michigan

## Management's Discussion and Analysis (Continued)

	Governmental Activities	Business-type Activities	Total
<b>Revenue</b>			
Program revenue:			
Charges for services	\$ 2,917,031	\$ 3,505,593	\$ 6,422,624
Operating grants and contributions	1,780,052	-	1,780,052
Capital grants and contributions	510,227	-	510,227
General revenue:			
Property taxes	5,684,980	128,635	5,813,615
State-shared revenue	817,372	-	817,372
Unrestricted investment earnings	78,219	315,122	393,341
Miscellaneous	176,341	1,899	178,240
Transfers	2,275,964	(2,275,964)	-
Total revenue	14,240,186	1,675,285	15,915,471
<b>Program Expenses</b>			
Judicial	2,058,215	-	2,058,215
General government	3,032,580	-	3,032,580
Public safety	4,743,875	-	4,743,875
Health and welfare	1,428,033	-	1,428,033
Community and economic development	341,887	-	341,887
Recreation and culture	588,851	-	588,851
Interest on long-term debt	305,057	-	305,057
Water and wastewater	-	712,967	712,967
Sanitary landfill	-	3,054,364	3,054,364
Delinquent tax	-	21,677	21,677
Other business-type activities	-	107,495	107,495
Total program expenses	12,498,498	3,896,503	16,395,001
<b>Change in Net Assets</b>	1,741,688	(2,221,218)	(479,530)
<b>Net Assets</b> - Beginning of year	5,027,149	21,179,823	26,206,972
<b>Net Assets</b> - End of year	<u>\$ 6,768,837</u>	<u>\$ 18,958,605</u>	<u>\$ 25,727,442</u>

As this is the first year of the management's discussion and analysis report, and consistent with Governmental Accounting Standards Board Statement Number 34, this year's report does not show data comparative with prior years. Future years' reports will include this information in the condensed financial information section.

# County of Wexford, Michigan

## Management's Discussion and Analysis (Continued)

### Financial Position and Results of Operation of County's Individual Major Funds

The County reports the following major funds:

- General Fund
- Community Development Fund
- Courthouse Expansion Fund
- Unrestricted Tax Fund
- 2002 Delinquent Tax Fund
- Sanitary Landfill Fund

Significant changes in fund balance for the General Fund and Community Development Fund are described in the "budgetary highlights" section. Significant changes in fund balance and net assets for the other funds are as follows:

The Courthouse Expansion Fund records the capital outlay related to the construction of the new courthouse facility. The entire fund balance of this fund was used in construction during the current year and the project is complete. The fund will be closed out during 2004.

The Unrestricted Tax Fund consists of the surplus accumulated through the collection, administration, and operating of each specific delinquent tax fund. During the current year, \$1,957,455 from this fund was used to pay off building authority bonds. An additional \$1,152,485 was transferred into the fund from other delinquent tax funds, increasing the resources which will be available for future projects.

The 2002 Delinquent Tax Fund purchased the cities', villages', and townships' delinquent real property taxes during the current year. These delinquent taxes are purchased by the County on a yearly basis. The County then has the responsibility to collect the delinquent taxes. The County also collects and retains the related penalties and interest on the delinquent taxes.

The Sanitary Landfill Fund had an operating loss of \$630,521 in the current year, due primarily to the recording of expenses related to closing the landfill and maintaining it after closure. These costs are recorded in the current year despite the fact that the landfill will not close in the near future. To date, approximately 69 percent of the landfill's capacity has been filled. In addition, higher than anticipated expenses were incurred related to the treatment and removal of leachate in the landfill.

# County of Wexford, Michigan

## Management's Discussion and Analysis (Continued)

### Budgetary Highlights

The process used to develop the original budget for the year ended December 31, 2003 determined expenses first and then "estimated" revenues in turn to balance the fiscal tool. Beginning with fiscal year 2004, a different process will be used. For that budget, revenues were conservatively estimated first and expenses then reduced to match. Using this methodology, if revenue falls below expectation, expenditures will have to be reduced. Such reductions have the potential of adversely affecting both non-mandated and mandated services. In this case, the Board of Commissioners will be faced with either reducing such services or selectively choosing which services, or portions thereof, will be funded through the only resource remaining: the fund balance.

Wexford County, by policy, seeks to maintain a fund balance in the General Fund of at least 14 percent of the next year's expenditures. Because a contingency area is nonexistent in the 2004 budget, any potential overage in that year's budgeted expenditures, if not offset by increased revenues, cannot be met without use of fund balance. Wexford County's prudent level of expenditures during 2003 leaves it with a fund balance of \$1,345,587 or 13.9 percent of the 2004 budgeted expenditures. This provides a much more sound financial position than had been previously anticipated, and certainly a much better financial environment than a number of counties in Michigan.

The following is a description of budgetary highlights of the County's General Fund and Community Development Fund.

### General Fund

Wexford County's General Fund budget for 2003, as originally adopted, reflected a balanced projection for the year, in which revenues equaled expenditures. Due to concerns in such areas as the Ice Arena, Health Care, and Inmate Housing, the budget was amended to reflect an anticipated deficit of \$250,174.

Actual revenues were approximately 98 percent of originally budgeted revenues and expenditures were approximately 97 percent of the amended budget. As a result, the County recognized an addition to fund balance of \$30,072. This is due in part to reduced expenditures in the Child Care Fund and careful monitoring of all of the County's expenditures. None of the above results could have happened without the positive performance of each department within the County.

# **County of Wexford, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Community Development Fund**

The Community Development Fund represents a cost reimbursement program supported by federal grants in which revenue coincides with expenditures. The budget for this fund is set at the total amount of grant money available. Grant money is only requested for specific projects. During the current year, a smaller number of projects were completed than allowed for by the grant.

### **Capital Asset and Long-term Debt Activity**

During the current year, the County completed construction of a new court building. The cost of the court building approximated \$4.6 million. The construction costs were financed through a bond issue with payment of the yearly liability coming from Wexford County Sanitary Landfill Fund interest.

The County also defeased \$1,780,000 of building authority bonds related to the Civic Arena. The early payoff of these bonds was made possible through the transfer of \$1,957,455 from the Unrestricted Tax Fund.

### **Economic Factors and the 2004 Budget and Rates**

As noted elsewhere, the County has experienced relatively stable revenue over many years with any reductions in state revenue being offset to some degree by increases in property tax revenue from new residential construction and economic manufacturing/retail growth. Our dependence on such growth to offset the ever-expanding service requirements and the ongoing State philosophy to reduce revenue sharing will become evident in 2004 and 2005. As the State faces its own set of financial crises, county revenue sharing becomes a growing political target that is too often subjugated to stronger political action efforts that include education, human service, and township and city-village needs.

The potential problems related to the County's major revenue sources can be illustrated by the following facts. While property taxes have increased over the past several years and now account for nearly 54 percent of revenue generated in the General Fund, the increase in this revenue is limited by Proposal A and the Headlee amendment to increase at the lesser of 5 percent or inflation on property currently on the tax roll. All state revenue, on the other hand, has continued to decrease and now accounts for less than 18 percent of the General Fund budget. The point to be made here is simple in content, but complex in regard to solutions. Any reduction to state revenue sources, in particular state revenue "sharing," when the sum of all these is \$1,578,983, carries serious implications since solutions are minimal.

# **County of Wexford, Michigan**

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## **Management's Discussion and Analysis (Continued)**

Also, concern must be drawn to health insurance costs. Fortunately, the Board of Commission saw the value in 1990 of moving to a self-insurance program. This effort saved considerable resources initially and continues to control health care costs, albeit always with risk. The 7.07 percent overall increase in health insurance costs effective May 5, 2004 was less than the 12 percent anticipated, and will assist in the County's ability to achieve its budget target, overall, in the General Fund. No other surrounding county experienced smaller increases in health insurance rates, with some receiving double digit increases.

In addition to these concerns, Wexford County must consider the following in this year and in the future:

- Establishment of a process to fund capital improvement or asset issues
- Reestablishment of a contingency fund to handle legitimate emergencies
- Issues related to inmate housing and jail facility replacement
- Continuing to provide financial latitude for departmental managers within the parameters of their budgets
- Continuing to progress toward making the Civic Center/Ice Arena a profit center that relies only on a specific appropriation yearly from the General Fund
- Investing in technology that will maintain or reduce human resource needs and provide specific and usable information that is shared

### **Contacting the County's Financial Management**

This financial report is designed to provide accountability of our stewardship of the resources provided by our taxpayers and customers and to provide financial information to the County's citizens and our creditors. If you have any questions regarding this report or need further information, please feel free to contact the Office of Administration at 437 E. Division, Cadillac, Michigan 49601.

# County of Wexford, Michigan

## Statement of Net Assets December 31, 2003

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash (Note 2)	\$ 2,172,829	\$ 4,043,546	\$ 6,216,375	\$ 623,903
Investments (Note 2)	1,180,528	13,238,655	14,419,183	996,436
Accounts receivable	961,478	285,832	1,247,310	1,539,884
Taxes receivable	6,000,090	1,155,357	7,155,447	-
Due from other governmental units	639,251	21,326	660,577	137,718
Contracts receivable	585,348	-	585,348	-
Deposit with insurance agent (Note 6)	123,788	-	123,788	-
Prepaid costs and other assets	5,871	-	5,871	508,049
Restricted assets (Notes 2 and 4)	-	1,294,537	1,294,537	-
Capital assets - Net (Note 5)	7,973,401	5,676,968	13,650,369	27,473,638
<b>Total assets</b>	<b>19,642,584</b>	<b>25,716,221</b>	<b>45,358,805</b>	<b>31,279,628</b>
<b>Liabilities</b>				
Accounts payable	707,289	463,696	1,170,985	158,443
Accrued and other liabilities	362,593	32,985	395,578	475,474
Due to other governmental units	18,000	-	18,000	-
Deferred revenue (Note 7)	6,000,090	-	6,000,090	192,352
Noncurrent liabilities:				
Estimated insurance liability, due within one year (Note 6)	28,000	-	28,000	-
Estimated insurance liability, due in more than one year (Note 6)	95,788	-	95,788	-
Bonds payable, due within one year (Note 8)	102,000	113,752	215,752	59,675
Bonds payable, due in more than one year (Note 8)	5,268,000	1,257,327	6,525,327	106,094
Employee compensated absences, due within one year	210,429	-	210,429	44,276
Employee compensated absences, due in more than one year	81,558	-	81,558	228,307
Estimated liability for landfill closure and postclosure costs due in more than one year (Note 4)	-	4,889,856	4,889,856	-
<b>Total liabilities</b>	<b>12,873,747</b>	<b>6,757,616</b>	<b>19,631,363</b>	<b>1,264,621</b>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	3,253,401	4,305,889	7,559,290	27,307,869
Restricted (Note 9)	1,521,946	-	1,521,946	1,056,844
Unrestricted	1,993,490	14,652,716	16,646,206	1,650,294
<b>Total net assets</b>	<b>\$ 6,768,837</b>	<b>\$ 18,958,605</b>	<b>\$ 25,727,442</b>	<b>\$ 30,015,007</b>

# County of Wexford, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
Judicial	\$ 2,058,215	\$ 797,755	\$ 618,453	\$ -
General government	3,032,580	811,315	330,517	-
Public safety	4,743,875	690,686	644,355	-
Health and welfare	1,428,033	330,435	186,727	-
Community and economic development	341,887	1,325	-	476,012
Recreation and culture	588,851	285,515	-	-
Interest on long-term debt	305,057	-	-	34,215
Total governmental activities	12,498,498	2,917,031	1,780,052	510,227
Business-type activities:				
Water and wastewater	712,967	597,793	-	-
Sanitary landfill	3,054,364	2,392,790	-	-
Delinquent tax	21,677	515,010	-	-
Other business-type activities	107,495	-	-	-
Total business-type activities	3,896,503	3,505,593	-	-
Total primary government	<u>\$ 16,395,001</u>	<u>\$ 6,422,624</u>	<u>\$ 1,780,052</u>	<u>\$ 510,227</u>
Component units:				
Cadillac - Wexford Transit Authority	\$ 1,401,498	\$ 227,307	\$ 663,285	\$ 47,622
Wexford County Airport Authority	440,224	233,621	95,740	-
Cadillac - Wexford Public Library	839,048	5,003	4,460	-
Wexford Road Commission	5,380,482	1,877,191	6,138,246	147,553
Total component units	<u>\$ 8,061,252</u>	<u>\$ 2,343,122</u>	<u>\$ 6,901,731</u>	<u>\$ 195,175</u>
General revenues:				
Property taxes				
State-shared revenues				
Other state sources				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				



## Statement of Activities Year Ended December 31, 2003

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (642,007)	\$ -	\$ (642,007)	\$ -
(1,890,748)	-	(1,890,748)	-
(3,408,834)	-	(3,408,834)	-
(910,871)	-	(910,871)	-
135,450	-	135,450	-
(303,336)	-	(303,336)	-
(270,842)	-	(270,842)	-
(7,291,188)	-	(7,291,188)	-
-	(115,174)	(115,174)	-
-	(661,574)	(661,574)	-
-	493,333	493,333	-
-	(107,495)	(107,495)	-
-	(390,910)	(390,910)	-
(7,291,188)	(390,910)	(7,682,098)	-
-	-	-	(463,284)
-	-	-	(110,863)
-	-	-	(829,585)
-	-	-	2,782,508
-	-	-	1,378,776
5,684,980	128,635	5,813,615	824,865
817,372	-	817,372	-
-	-	-	323,151
78,219	315,122	393,341	7,545
176,341	1,899	178,240	106,537
2,275,964	(2,275,964)	-	-
9,032,876	(1,830,308)	7,202,568	1,262,098
1,741,688	(2,221,218)	(479,530)	2,640,874
5,027,149	21,179,823	26,206,972	27,374,133
<b>\$ 6,768,837</b>	<b>\$ 18,958,605</b>	<b>\$ 25,727,442</b>	<b>\$ 30,015,007</b>

# County of Wexford, Michigan

	General Fund	Community Development Fund
<b>Assets</b>		
Cash	\$ 10,551	\$ 30,398
Investments	1,144,711	-
Accounts receivable	95,595	844,169
Taxes receivable	5,049,196	-
Due from other governmental units	590,295	-
Contracts receivable	-	-
Due from other funds (Note 3)	13,800	-
Prepaid costs and other assets	-	-
Total assets	<u>\$ 6,904,148</u>	<u>\$ 874,567</u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 316,018	\$ -
Accrued and other liabilities	193,347	-
Due to other governmental units	-	-
Due to other funds	-	-
Deferred revenue (Note 7)	5,049,196	844,169
Total liabilities	5,558,561	844,169
<b>Fund Balances</b>		
Reserved for public health	-	-
Unreserved - Reported in:		
General Fund	1,345,587	-
Special Revenue Funds	-	30,398
Debt Service Funds	-	-
Permanent Funds	-	-
Total fund balances	<u>1,345,587</u>	<u>30,398</u>
Total liabilities and fund balances	<u>\$ 6,904,148</u>	<u>\$ 874,567</u>

**Governmental Funds  
Balance Sheet  
December 31, 2003**

Courthouse Expansion - Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 320,017	\$ 1,724,676	\$ 2,085,642
-	35,817	1,180,528
-	21,714	961,478
-	950,894	6,000,090
-	48,956	639,251
-	585,348	585,348
-	-	13,800
-	5,871	5,871
<b><u>\$ 320,017</u></b>	<b><u>\$ 3,373,276</u></b>	<b><u>\$ 11,472,008</u></b>
\$ 320,017	\$ 58,881	\$ 694,916
-	49,731	243,078
-	18,000	18,000
-	13,800	13,800
-	1,544,666	7,438,031
320,017	1,685,078	8,407,825
-	20,000	20,000
-	-	1,345,587
-	1,231,378	1,261,776
-	434,293	434,293
-	2,527	2,527
-	1,688,198	3,064,183
<b><u>\$ 320,017</u></b>	<b><u>\$ 3,373,276</u></b>	<b><u>\$ 11,472,008</u></b>

# County of Wexford, Michigan

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## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets December 31, 2003

**Fund Balance - Total Governmental Funds** \$ 3,064,183

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	7,973,401
Revenues for Home Improvement Loan program are recorded as revenue when earned in the statement of net assets	852,593
Special assessments are recorded as revenue when earned in the statement of net assets	585,348
Sick and vacation pay is accrued when earned	(291,987)
Long-term liabilities not due and payable in the current period and are not reported in the funds	(5,370,000)
Interest on bonds payable is accrued on the statement of net assets	(119,515)
Internal Service Fund is included as part of governmental activities	<u>74,814</u>

**Net Assets - Governmental Activities** \$ 6,768,837

# County of Wexford, Michigan

	General Fund	Community Development Fund
<b>Revenue</b>		
Property taxes	\$ 4,791,907	\$ -
Special assessments	-	-
Licenses and permits	1,402	-
Federal sources	513,590	243,421
State sources	1,578,983	-
Contributions from local units	-	-
Charges for services	1,677,457	-
Fines and forfeitures	49,379	-
Interest and rent	36,180	225
Other	235,364	31,374
Total revenue	8,884,262	275,020
<b>Expenditures</b>		
Current services:		
Legislative	55,204	-
Judicial	2,058,215	-
General government	2,384,635	-
Public safety	3,609,133	-
Health and welfare	521,145	266,767
Recreation and culture	-	-
Contracted Services	-	-
Transfer to Airport Authority	45,301	-
Other	249,830	-
Capital outlay	-	-
Debt service	-	-
Total expenditures	8,923,463	266,767
<b>Excess of Revenue Over (Under) Expenditures</b>	(39,201)	8,253
<b>Other Financing Sources (Uses)</b>		
Transfers in (Note 3)	661,149	-
Transfers out (Note 3)	(591,876)	-
Payment for defeasance of debt	-	-
Total other financing sources (uses)	69,273	-
<b>Net Change in Fund Balances</b>	30,072	8,253
<b>Fund Balances - Beginning of year</b>	1,315,515	22,145
<b>Fund Balances - End of year</b>	<u>\$ 1,345,587</u>	<u>\$ 30,398</u>

The Notes to Financial Statements are an  
Integral Part of this Statement.

**Governmental Funds**  
**Statement of Revenue, Expenditures, and**  
**Changes in Fund Balances**  
**Year Ended December 31, 2003**

Courthouse Expansion - Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 893,073	\$ 5,684,980
-	108,425	108,425
-	7,930	9,332
-	74,920	831,931
-	639,176	2,218,159
-	30,209	30,209
-	810,557	2,488,014
-	59,550	108,929
21,339	21,587	79,331
-	11,392	278,130
21,339	2,656,819	11,837,440
-	-	55,204
-	20,565	2,078,780
-	-	2,384,635
-	269,233	3,878,366
-	1,483,709	2,271,621
-	360,669	360,669
-	86,188	86,188
-	-	45,301
-	442	250,272
2,827,653	625,837	3,453,490
-	445,229	445,229
2,827,653	3,291,872	15,309,755
(2,806,314)	(635,053)	(3,472,315)
-	2,750,960	3,412,109
-	(724,269)	(1,316,145)
-	(1,949,955)	(1,949,955)
-	76,736	146,009
(2,806,314)	(558,317)	(3,326,306)
2,806,314	2,246,515	6,390,489
<u>\$ -</u>	<u>\$ 1,688,198</u>	<u>\$ 3,064,183</u>

# County of Wexford, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2003**

**Net Change in Fund Balances - Total Governmental Funds** \$ (3,326,306)

Amounts reported for governmental activities in the statement of activities are different because:

Sick and vacation pay is accrued when earned in the statement of net assets (47,450)

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation 3,034,932

Home Improvement Loan program revenue is recorded as revenue when earned 200,992

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (74,210)

Payment of debt principal is an expenditure in the governmental funds, but not in the statement of activities 1,882,000

Interest on bonds payable is accrued on the statement of net assets 37,897

Internal Service Funds are included as governmental activities 33,833

**Change in Net Assets of Governmental Activities** \$ 1,741,688

# County of Wexford, Michigan

	Unrestricted Tax Fund	2002 Delinquent Tax Fund	Sanitary Landfill Enterprise Fund
<b>Assets</b>			
Current assets:			
Cash	\$ 150,726	\$ 1,688,298	\$ 1,496,447
Investments	422,466	-	11,786,189
Accounts receivable	-	-	188,112
Taxes receivable	147,866	864,995	-
Due from other funds (Note 3)	2,400,000	-	-
Due from other governmental units	3,929	11,541	-
Total current assets	3,124,987	2,564,834	13,470,748
Noncurrent assets:			
Restricted assets	-	-	1,294,537
Capital assets	-	-	3,592,265
Total noncurrent assets	-	-	4,886,802
Total assets	3,124,987	2,564,834	18,357,550
<b>Liabilities</b>			
Current liabilities:	-	-	-
Accounts payable	-	-	431,282
Accrued and other liabilities	-	-	15,461
Due to other funds	-	2,400,000	-
Current portion of long-term debt	-	-	98,752
Total current liabilities	-	2,400,000	545,495
Noncurrent liabilities:			
Long-term debt - Net of current portion	-	-	562,327
Estimated liability for landfill closure and post-closure costs	-	-	4,889,856
Total noncurrent liabilities	-	-	5,452,183
Total liabilities	-	2,400,000	5,997,678
<b>Net Assets</b>			
Investment in capital assets - Net of related debt	-	-	2,931,186
Unrestricted	3,124,987	164,834	9,428,686
Total net assets	<u>\$ 3,124,987</u>	<u>\$ 164,834</u>	<u>\$ 12,359,872</u>



**Proprietary Funds**  
**Statement of Net Assets**  
**December 31, 2003**

Other Nonmajor Enterprise Funds	Total Enterprise Funds	Self-insurance Internal Service Fund
\$ 708,075	\$ 4,043,546	\$ 87,187
1,030,000	13,238,655	-
97,720	285,832	-
142,496	1,155,357	-
-	2,400,000	-
5,856	21,326	-
1,984,147	21,144,716	87,187
-	1,294,537	-
2,084,703	5,676,968	-
2,084,703	6,971,505	-
4,068,850	28,116,221	87,187
32,414	463,696	12,373
17,524	32,985	-
-	2,400,000	-
15,000	113,752	-
64,938	3,010,433	12,373
695,000	1,257,327	-
-	4,889,856	-
695,000	6,147,183	-
759,938	9,157,616	12,373
1,374,703	4,305,889	-
1,934,209	14,652,716	74,814
<b>\$ 3,308,912</b>	<b>\$ 18,958,605</b>	<b>\$ 74,814</b>

# County of Wexford, Michigan

	Unrestricted Tax Fund	2002 Delinquent Tax Fund	Sanitary Landfill Enterprise Fund
<b>Operating Revenue</b>			
Charges for service	\$ 128,635	\$ 72,234	\$ 2,384,584
Administrative revenue	-	-	-
Reimbursement of expense of sale	-	5,805	-
Interest on delinquent taxes	-	78,768	-
Premiums - Health insurance	-	-	-
Other revenue	-	-	8,206
Total operating revenue	128,635	156,807	2,392,790
<b>Operating Expenses</b>			
Salaries and benefits	-	-	393,752
Cost of services	-	-	848,397
Administrative	5,523	-	20,513
Contractual	-	-	666,637
Landfill closure and postclosure	-	-	651,971
Depreciation	-	-	329,739
Health care	-	-	-
Prescriptions	-	-	-
Reinsurance	-	-	-
Dental	-	-	-
Legal and paying agent fees	-	-	-
Bad debt expense	-	-	112,302
Other	-	90	-
Total operating expenses	5,523	90	3,023,311
<b>Operating Income (Loss)</b>	123,112	156,717	(630,521)
<b>Nonoperating Income (Loss)</b>			
Interest earnings	10,070	8,117	256,077
Bond interest expense	-	-	(31,053)
Total nonoperating income (loss)	10,070	8,117	225,024
<b>Operating Transfers In (Note 3)</b>	1,152,485	-	34,979
<b>Operating Transfers Out (Note 3)</b>	(1,957,455)	-	(557,311)
<b>Change in Net Assets</b>	(671,788)	164,834	(927,829)
<b>Net Assets - Beginning of year</b>	3,796,775	-	13,287,701
<b>Net Assets - End of year</b>	<u>\$ 3,124,987</u>	<u>\$ 164,834</u>	<u>\$ 12,359,872</u>

**Proprietary Funds**

**Statement of Revenue, Expenses, and Changes in Net Assets**  
**Year Ended December 31, 2003**

Other Nonmajor Enterprise Funds	Total Enterprise Funds	Self-insurance Internal Service Fund
\$ 571,047	\$ 3,156,500	\$ -
83,677	83,677	-
17,610	23,415	-
244,187	322,955	-
-	-	1,235,421
41,374	49,580	-
957,895	3,636,127	1,235,421
286,113	679,865	-
326,653	1,175,050	-
49,157	75,193	88,709
50,074	716,711	-
-	651,971	-
75,566	405,305	-
-	-	755,857
-	-	310,931
-	-	169,744
-	-	56,365
677	677	-
-	112,302	-
3,436	3,526	-
791,676	3,820,600	1,381,606
166,219	(184,473)	(146,185)
40,858	315,122	18
(44,850)	(75,903)	-
(3,992)	239,219	18
238,802	1,426,266	180,000
(1,187,464)	(3,702,230)	-
(786,435)	(2,221,218)	33,833
4,095,347	21,179,823	40,981
<b>\$ 3,308,912</b>	<b>\$ 18,958,605</b>	<b>\$ 74,814</b>

# County of Wexford, Michigan

	Unrestricted Tax Fund	2002 Delinquent Tax Fund	Sanitary Landfill Fund
<b>Cash Flows from Operating Activities</b>			
Receipts from customers/payments (to) from other governmental units	\$ (19,231)	\$ (719,729)	\$ 2,304,333
Payments to suppliers	(5,523)	(90)	(1,161,347)
Payments to employees	-	-	(389,521)
Net cash (used in) provided by operating activities	(24,754)	(719,819)	753,465
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchase of capital assets	-	-	(187,118)
Principal and interest paid on capital debt	-	-	(110,593)
Net cash used in capital and related financing activities	-	-	(297,711)
<b>Cash Flows from Noncapital and Related Financing Activities</b>			
Internal activity - Payments from other funds	1,152,485	2,400,000	34,979
Internal activity - Payments to other funds	(1,561,384)	-	(557,311)
Net cash provided by (used in) noncapital and related financing activities	(408,899)	2,400,000	(522,332)
<b>Cash Flows from Investing Activities</b>			
Interest received on investments	10,070	8,117	256,077
Purchase of investment securities	(150,000)	-	(18,597,017)
Proceeds from sale and maturities of investment securities	352,399	-	19,284,277
Net cash provided by investing activities	212,469	8,117	943,337
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(221,184)	1,688,298	876,759
<b>Cash and Cash Equivalents - Beginning of year</b>	371,910	-	619,688
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 150,726</b>	<b>\$ 1,688,298</b>	<b>\$ 1,496,447</b>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>			
Operating income (loss)	\$ 123,112	\$ 156,717	\$ (630,521)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	-	-	329,739
Changes in assets and liabilities:			
Receivables	(147,866)	(876,536)	(88,457)
Accounts payable	-	-	1,138,473
Accrued and other liabilities	-	-	4,231
Net cash (used in) provided by operating activities	<b>\$ (24,754)</b>	<b>\$ (719,819)</b>	<b>\$ 753,465</b>

**Proprietary Funds**  
**Statement of Cash Flows**  
**Year Ended December 31, 2003**

Other Nonmajor Enterprise Funds	Total Enterprise Funds	Self-insurance Internal Service Fund
\$ 2,087,810	\$ 3,653,183	\$ 1,311,349
(427,475)	(1,594,435)	(1,379,339)
<u>(283,776)</u>	<u>(673,297)</u>	<u>-</u>
1,376,559	1,385,451	(67,990)
(5,241)	(192,359)	-
<u>(59,850)</u>	<u>(170,443)</u>	<u>-</u>
(65,091)	(362,802)	-
238,802	3,826,266	180,000
<u>(3,987,464)</u>	<u>(6,106,159)</u>	<u>-</u>
(3,748,662)	(2,279,893)	180,000
40,858	315,122	18
(4,061,693)	(22,808,710)	-
<u>4,322,449</u>	<u>23,959,125</u>	<u>942</u>
301,614	1,465,537	960
(2,135,580)	208,293	112,970
<u>2,843,655</u>	<u>3,835,253</u>	<u>(25,783)</u>
<b>\$ 708,075</b>	<b>\$ 4,043,546</b>	<b>\$ 87,187</b>
\$ 166,219	\$ (184,473)	\$ (146,185)
75,566	405,305	-
1,129,914	17,055	75,928
2,521	1,140,994	-
<u>2,339</u>	<u>6,570</u>	<u>2,267</u>
<b>\$ 1,376,559</b>	<b>\$ 1,385,451</b>	<b>\$ (67,990)</b>

# County of Wexford, Michigan

## Fiduciary Funds Statement of Assets and Liabilities December 31, 2003

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,017,173
Bank deposits	<u>24,998</u>
Total assets	<u><u>\$ 1,042,171</u></u>
<b>Liabilities</b>	
Accrued and other liabilities	27,017
Due to other governmental units	<u>1,015,154</u>
Total liabilities	<u><u>\$ 1,042,171</u></u>

## County of Wexford, Michigan

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	Cadillac- Wexford Transit Authority	Wexford County Airport Authority
<b>Assets</b>		
Cash	\$ 486,905	\$ 101,119
Investments	-	46,871
Accounts receivable	15,238	6,870
Due from other governmental units	82,896	-
Prepaid costs and other assets	43,256	12,657
Capital assets	<u>1,360,757</u>	<u>2,067,593</u>
Total assets	1,989,052	2,235,110
<b>Liabilities</b>		
Accounts payable	14,823	23,346
Accrued and other liabilities	77,740	14,180
Deferred revenue	-	-
Noncurrent liabilities:		
Bonds payable, due within one year	-	10,000
Bonds payable, due in more than one year	-	16,002
Employee compensated absences, due within one year	-	-
Employee compensated absences, due in more than one year	<u>-</u>	<u>-</u>
Total liabilities	<u>92,563</u>	<u>63,528</u>
<b>Net Assets</b>		
Investment in capital assets	1,360,757	2,041,591
Restricted	-	-
Unrestricted	<u>535,732</u>	<u>129,991</u>
Total net assets	<u><u>\$ 1,896,489</u></u>	<u><u>\$ 2,171,582</u></u>

**Component Units**  
**Statement of Net Assets**  
**December 31, 2003**

Cadillac- Wexford Public Library	Wexford County Road Commission	Totals
\$ 35,479	\$ 400	\$ 623,903
444,544	505,021	996,436
551,106	966,670	1,539,884
54,822	-	137,718
411	451,725	508,049
562,965	23,482,323	27,473,638
<u>1,649,327</u>	<u>25,406,139</u>	<u>31,279,628</u>
12,125	108,149	158,443
12,045	371,509	475,474
-	192,352	192,352
2,875	46,800	59,675
2,876	87,216	106,094
-	44,276	44,276
<u>63,777</u>	<u>164,530</u>	<u>228,307</u>
<u>93,698</u>	<u>1,014,832</u>	<u>1,264,621</u>
557,214	23,348,307	27,307,869
13,844	1,043,000	1,056,844
984,571	-	1,650,294
<u>\$ 1,555,629</u>	<u>\$ 24,391,307</u>	<u>\$ 30,015,007</u>



# County of Wexford, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions
Cadillac-Wexford Transit Authority	\$ 1,401,498	\$ 227,307	\$ 663,285	\$ 47,622
Wexford County Airport Authority	440,224	233,621	95,740	-
Cadillac-Wexford Public Library	839,048	5,003	4,460	-
Wexford County Road Commission	<u>5,380,482</u>	<u>1,877,191</u>	<u>6,138,246</u>	<u>147,553</u>
Total governmental activities	<u><b>\$ 8,061,252</b></u>	<u><b>\$ 2,343,122</b></u>	<u><b>\$ 6,901,731</b></u>	<u><b>\$ 195,175</b></u>

## General revenues:

Property taxes  
State sources  
Unrestricted investment earnings  
Miscellaneous

Total general revenues

## Change in Net Assets (Deficit)

**Net Assets** - Beginning of year

**Net Assets** - End of year

**Component Units  
Statement of Activities  
Year Ended December 31, 2003**

Net (Expense) Revenue and Changes in Net Assets				
Cadillac- Wexford Transit Authority	Wexford County Airport Authority	Cadillac- Wexford Public Library	Wexford County Road Commission	Total
\$ (463,284)	\$ -	\$ -	\$ -	\$ (463,284)
-	(110,863)	-	-	(110,863)
-	-	(829,585)	-	(829,585)
-	-	-	2,782,508	2,782,508
(463,284)	(110,863)	(829,585)	2,782,508	1,378,776
278,856	-	546,009	-	824,865
-	-	323,151	-	323,151
-	-	7,545	-	7,545
4,766	76,727	21,493	3,551	106,537
283,622	76,727	898,198	3,551	1,262,098
(179,662)	(34,136)	68,613	2,786,059	2,640,874
2,076,151	2,205,718	1,487,016	21,605,248	27,374,133
<b>\$ 1,896,489</b>	<b>\$ 2,171,582</b>	<b>\$ 1,555,629</b>	<b>\$ 24,391,307</b>	<b>\$ 30,015,007</b>

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the County of Wexford, Michigan (the "County") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

The County operates under an elected Board of Commissioners and provides services to its residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the County of Wexford and its component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governmental body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the County is able to exercise oversight responsibilities. Based on the application of these criteria, the following is a brief review of each potential component unit addressed in defining the County's reporting entity.

The Building Authority is a County created and directed authority, whose sole business activity is acquiring and leasing property to the County. The Building Authority operations consist of the issuance and repayment of debt and the construction of facilities. The financial statements of the Building Authority are consolidated with the financial statements of the County as follows:

- a. The assets of the Building Authority held for payment of outstanding bond issues are reported in the Debt Service Funds.
- b. Fixed assets (completed construction projects) of the Building Authority are reported as capital assets in the statement of net assets.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

- c. Remaining amounts due on bonds issued by the Building Authority are reported as noncurrent liabilities in the statement of net assets.

The financial statements of the County's component units that combine to form the reporting entity are audited individually by other auditors and are reported in the component units column.

The following component units are reported within the component units column to emphasize that they are legally separate from the County. These entities are considered component units due to the County's ability to influence the entities' actions through representation of the Board of Directors or Commissioners, or because of their financial relationship.

#### **Cadillac-Wexford Transit Authority**

On June 23, 1981, the County of Cadillac and the County of Wexford created the Cadillac-Wexford Transit Authority, a separate legal and administrative unit of government pursuant to the Urban Cooperation Act. The purpose of the Transit Authority is to provide public transportation services to the general public within Wexford County. The Transit Authority began to provide transportation services on September 1, 1982. The Transit Authority is financed by state and federal subsidies as well as a countywide tax levy. A complete financial report for the component unit can be obtained at 1202 N. Mitchell St., Cadillac, MI 49601.

#### **Wexford County Airport Authority**

The Wexford County Airport Authority is organized to own and operate the Wexford County Airport in Cadillac, Michigan. The Authority Board is composed of seven members, four of whom are appointed by Wexford County and three of whom are appointed by the County of Cadillac. A complete financial report for the component unit can be obtained at 8040 E. 34 Rd., Cadillac, MI 49601.

# County of Wexford, Michigan

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## Notes to Financial Statements December 31, 2003

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **Cadillac-Wexford Public Library**

The Cadillac-Wexford Public Library provides library services to the Wexford County area from its facilities located in Cadillac. The Library is also responsible for operating the Tustin and Mesick Libraries, along with providing salaries and fringe benefits to the Manton Library. The Library Board consists of 10 members, four of whom are appointed by the County of Cadillac and six of whom are appointed by Wexford County. A complete financial report for the component unit can be obtained at 411 S. Lake Street, Cadillac, MI 49601.

#### **Wexford County Road Commission**

The Wexford County Road Commission is an independent governmental agency operated under the jurisdiction of the State of Michigan and Wexford County. The commission is charged with the responsibility of maintaining all primary and local road systems in Wexford County. A complete financial report for the component unit can be obtained at 85 W. M-115, Boon, MI 49618.

The following component unit is not reported in the component unit column because its financial statements were not available.

#### **Wexford County Council on Aging**

The Wexford County Council on Aging is a nonprofit organization with a 501(c)(3) status, established for the purpose of providing needed services to older persons. Wexford County serves as the custodian of Council on Aging monies by resolution of the Council Executive Board. A complete financial report for the component unit can be obtained at 117 W. Cass Street, Cadillac, MI 49601.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Special assessments, federal grant reimbursement, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, such as state-shared revenue and interest associated with the current fiscal period. Conversely, property taxes levied December 1, special assessments, and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The County reports the following major governmental funds:

**General Fund** - The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Community Development Grant Fund** - The Community Development Grant Fund accounts for resources from HUD/MSHDA for the rehabilitation of lower income homes in the Wexford County area. Additional resources are received from loan paybacks that go back into the program for further home rehabilitation projects.

**Courthouse Expansion Project Fund** - The Courthouse Expansion Project Fund accounts for proceeds from a bond issue used in the construction of the Wexford County courthouse addition. This addition houses District and Probate Courts, the Prosecutor's Office, and Probation Offices.

The County reports the following major proprietary funds:

**Sanitary Landfill Fund** - The Sanitary Landfill Fund is an Enterprise Fund operated by the Wexford County Department of Public Works. Located in Cedar Creek Township, the landfill is operated for the disposal of solid waste within Wexford County.

**Unrestricted Tax Reserve Fund** - The Unrestricted Tax Reserve Fund consists of the surplus accumulated through the collection, administration, and operation of each specific delinquent tax fund. Use of this fund is subject to guidelines set forth in Resolution 3-20, which was approved June 4, 2003 establishing the following priorities: (1) self-fund the delinquent tax distribution to various taxing units as opposed to borrowing, and (2) elimination of obligations for debt service where possible.

**2002 Delinquent Tax Fund** - The 2002 Delinquent Tax Fund was established to collect and receive the 2002 delinquent taxes along with the administration and operation of that specific tax year. The fund will be closed out after the reversion process has been completed.

### Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the County reports the following fund types:

**Internal Service Fund** - The Internal Service Fund accounts for risk management services provided to other departments of the County on a cost reimbursement basis.

**Agency Fund** - The Agency Fund accounts for assets held by the County in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The County has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.



# County of Wexford, Michigan

## Notes to Financial Statements December 31, 2003

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Property Tax Revenue

Properties are assessed as of December 31. The related property taxes are billed and become a lien on December 1 of the following year and are payable by February 28. The cities and townships within the County bill and collect the property taxes for the County. Real and personal property for the December 1, 2002 levy was valued at \$698,089,326. Details regarding the maximum authorized millage, the millage after applying the Headlee rollback factors, and the related revenue are as follows:

	Maximum Allowable After Headlee Rollback	Mills Levied	Property Tax Revenue
Allocated	6.8839	6.8839	\$ 4,798,836
Road patrol	0.9383	0.9383	659,945
Animal control	0.3456	0.3456	243,073
Total	8.1678	8.1678	\$ 5,701,854

County taxes levied on December 31, 2003 are considered revenue for the subsequent year and are recorded in the General and Special Revenue Funds as taxes receivable, with an offsetting credit to deferred revenue.

By resolution of the Board of Commissioners and agreement with various taxing authorizes, the County purchased at face value the real property taxes receivable returned delinquent on March 1.

#### Assets, Liabilities, and Net Assets or Equity

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds except for the Delinquent Tax Funds is generally allocated to each fund based on the month-end cash balance. The pooled investment income from the Delinquent Tax Funds is generally allocated to each fund based on the average daily cash balance.

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts if applicable.

**Contract Receivables** - Contracts receivable represent special assessment revenue due from certain of the County's residents in association with debt that was issued to construct water and sewer systems for the residents.

**Prepaid Other Assets** - Other assets consist primarily of inventory and prepaid items.

**Restricted Assets** - Restricted assets consist of a letter of credit and other funds set aside for landfill bonding and closing maintenance and monitoring (see Note 4).

**Capital Assets** - Capital assets, which include buildings, improvements, vehicles, equipment, and furniture, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, improvements, vehicles, equipment, and furniture are depreciated using the straight-line method over the following useful lives:

Buildings	60 years
Building and site improvements	10 years
Vehicles	10 years
Equipment and furniture	8 years

**Deposit with Insurance Agent** - Deposit with insurance agent represents funds on reserve with the Michigan Municipal Risk Management Authority to be used to fund the general liability claims of the County (see Note 6).

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Compensated Absences (Vacation and Sick Leave)** - It is the County's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A portion of the sick pay, depending on department, and all vacation pay is eligible to be paid out when employees separate from service with the County. The sick and vacation pay that is eligible to be paid out when employees separate from service with the County is accrued in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# County of Wexford, Michigan

## Notes to Financial Statements December 31, 2003

### Note 2 - Deposits and Investments

The deposits and investments of the County and its component units are classified on the balance sheet as follows:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Primary Government	Component Unit
Cash	\$ 2,172,829	\$ 4,043,546	\$ 1,017,173	\$ 7,233,548	\$ 623,903
Investments	1,180,528	13,238,655	24,998	14,444,181	996,436
Restricted assets (Note 4)	-	1,294,537	-	1,294,537	-
Total	<u>\$ 3,353,357</u>	<u>\$ 18,576,738</u>	<u>\$ 1,042,171</u>	<u>\$ 22,972,266</u>	<u>\$ 1,620,339</u>

The above amounts are classified by Governmental Accounting Standards Board Statement Number 3 in the following categories:

	Primary Government	Component Unit
Bank deposit (checking accounts, commercial paper, and certificates of deposits)	\$ 14,881,714	\$ 1,619,719
Investments	8,059,455	-
Petty cash or cash on hand	31,097	620
Total	<u>\$ 22,972,266</u>	<u>\$ 1,620,339</u>

### Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written, but not yet cleared, or of deposits in transit) at \$14,004,508. Of that amount, up to \$300,000 was covered by federal depository insurance and at least \$13,704,508 was uninsured and uncollateralized. The County believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution with which it deposits County funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

### Note 2 - Deposits and Investments (Continued)

#### Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are related as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the Board allows the County Treasurer to invest in all investments authorized by Public Act 20 of 1943, as amended.

The County of Wexford, Michigan's deposits and investment policies are in accordance with statutory authority.

The County's investments are categorized below to give an indication of the level of risk assumed by the entity at December 31, 2003. Risk Category 1 investments are held by the counterparty's trust department (or agent) in the County's name and include those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the County or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the County's name. Category 3 includes investments held by:

- a. The counterparty
- b. The counterparty's trust department (or agent) but not in the County's name

# County of Wexford, Michigan

## Notes to Financial Statements December 31, 2003

### Note 2 - Deposits and Investments (Continued)

	Primary Government
U.S. governmental securities (Category 2)	\$ 5,780,906
Bank investment pools	1,163,324
Interlocal agreement pools	1,114,829
Mutual funds	396
Total	<u>\$ 8,059,455</u>

The deposits, bank investment pools, interlocal agreement investment pools, and mutual funds are not categorized because they are not evidenced by securities that exist in physical or book-entry form. Management believes that the investments in the funds comply with the investment authority noted above.

The mutual funds are registered with the SEC. The bank investment pools are regulated by the Michigan Banking Act. Investments under the interlocal agreement (MBIA-CLASS) are regulated by the Urban Cooperation Act. The fair value of the position in the bank investment pools and interlocal agreement pools is the same as the value of the pool shares.

Included in the County's investments at the balance sheet date are approximately \$3,072,000 of obligations of the Federal National Mortgage Association, \$200,000 of obligations of the Government National Mortgage Association, and approximately \$1,480,000 of obligations of the Federal Home Loan. These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

The cash and investments of the County's component unit consist of bank deposits of \$1,573,076, petty cash or cash on hand of \$620, and U.S. Treasury bills (Category 3) of \$46,643. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$1,121,831. Of that amount, \$656,821 was covered by federal depository insurance and \$465,010 was uninsured and uncollateralized.

# County of Wexford, Michigan

## Notes to Financial Statements December 31, 2003

### Note 3 - Interfund Receivables

Individual fund interfund receivable and payable balances at December 31, 2003 were as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Nonmajor governmental funds	\$ 13,800
Unrestricted Tax Fund	2002 Delinquent Tax Fund	2,400,000

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Component unit interfund balances at December 31, 2003 consist entirely of amounts owed from the Wexford County Airport Authority Proprietary Fund to the Wexford County Airport Authority Operating Fund.

Fund Transferred From	Fund Transferred To	Amount
<b>Interfund Transfers</b>		
General Fund	Nonmajor governmental funds	\$ 411,876
	Self-insurance Fund	180,000
	Total	591,876
Nonmajor governmental funds	General Fund	661,149
Nonmajor governmental funds	Nonmajor Enterprise Funds	21,204
	Nonmajor governmental funds	41,916
	Total	724,269
	Subtotal - Transfers from governmental funds	1,316,145
Unrestricted Tax Fund	Nonmajor governmental funds	1,957,455
Sanitary Landfill Fund	Nonmajor Enterprise Funds	217,598
Sanitary Landfill Fund	Nonmajor governmental funds	339,713
	Total	557,311

# County of Wexford, Michigan

## Notes to Financial Statements December 31, 2003

### Note 3 - Interfund Receivables (Continued)

Fund Transferred From	Fund Transferred To	Amount
<b>Interfund Transfers</b> (Continued)		
Nonmajor Enterprise Funds	Sanitary Landfill Fund	\$ 34,979
Nonmajor Enterprise Funds	Unrestricted Tax Fund	<u>1,152,485</u>
	Total	<u>1,187,464</u>
	Subtotal - Transfers from Proprietary Funds	<u>3,702,230</u>
	Total transfers from County funds	<u><u>\$ 5,018,375</u></u>

Significant interfund transfers are as follows:

- The transfers from the General Fund to nonmajor governmental funds represent the use of unrestricted revenues to finance those programs in accordance with budgetary direction.
- The transfers from the nonmajor governmental funds to the General Fund primarily represents the movement of tax revenue from the road patrol millage recorded in the Public Safety Special Revenue Fund to the General Fund to cover expenditures related to public safety.
- The transfers from the Unrestricted Tax Fund to the nonmajor governmental fund represents movement of resources to the Civic Center Debt Service Fund for the defeasement of debt (see Note 7).
- The transfers from the Sanitary Landfill Fund to the nonmajor governmental and Enterprise Funds represent the movement of resources to cover the debt service expenditures of the Courthouse Expansion Debt Service Fund and Recycling Fund.
- The transfers from nonmajor enterprise funds to the Unrestricted Tax Fund represent excess tax dollar collections in the Delinquent Tax Funds over the initial self-funded delinquencies.



# County of Wexford, Michigan

## Notes to Financial Statements December 31, 2003

### Note 4 - Restricted Assets

The County's restricted assets are comprised of the following:

Investments restricted for landfill bonding	\$ 280,000
Investments restricted for perpetual care	<u>1,014,537</u>
Total restricted assets	<u>\$ 1,294,537</u>

The investments restricted for landfill bonding consist of an irrevocable letter of credit to the Michigan Department of Natural Resources in the amount of \$280,000 for the bonding of the Wexford County Sanitary Landfill. Certificates of deposit totaling \$280,000 were pledged and assigned to Citizens Bank as security for any draws on the letter of credit. The annual fee for the letter of credit is 1 percent.

The investments restricted for perpetual care consist of funds set aside for closure, monitoring, and maintenance of the landfill and for response activity necessitated by potential contamination discharge from the landfill. Restricted assets are intended to pay for closure and postclosure costs. The liability associated with these costs is larger than the amount of restricted assets; therefore, net assets have not been restricted.

The operator of the landfill is required to designate a custodian of the fund and deposit amounts into the fund based on the volume and the type of material deposited in the landfill. The custodian is not to disburse any amount of the fund to the operator of the landfill without the approval of the director of the Department of Natural Resources. Thirty years after the closure of the landfill, 50 percent of any money in the Perpetual Care Fund may be returned to the operator.

To comply with this act, the landfill contracted with the director of the Department of Natural Resources to establish a Perpetual Care Fund with Bank One Trust Company as the designated custodian. The landfill has begun to make the required deposits into a separate savings account and will continue to do so until the contract with the Department of Natural Resources is completed.

### **Note 4 - Restricted Assets (Continued)**

#### **Landfill - Closure and Postclosure Care Costs**

State and deferral laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$4,889,856 reported as landfill closure and postclosure care liability at December 31, 2003 represents the cumulative amount reported to date based on the use of approximately 69 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of approximately \$2,200,000 as the remaining estimated capacity is filled.

These amounts are based on what it would cost to perform all closure and postclosure care in current dollars. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County expects that future costs, including inflation and changes in technology or applicable laws and regulations, will be paid from cash and investments maintained in the Sanitary Landfill Enterprise, as well as charges to future landfill users.

# County of Wexford, Michigan

## Notes to Financial Statements December 31, 2003

### Note 5 - Capital Assets

Capital asset activity of the County's governmental and business-type activities was as follows:

	Balance January 1, 2003	Additions	Disposals and Adjustments	Balance December 31, 2003
<b>Governmental Activities</b>				
Capital assets not being depreciated -				
Land	\$ 38,605	\$ 39,957	\$ -	\$ 78,562
Capital assets being depreciated:				
Buildings	5,443,415	2,665,729	-	8,109,144
Building and site improvements	372,151	28,250	-	400,401
Vehicles	548,019	38,969	-	586,988
Equipment and furniture	777,500	549,373	-	1,326,873
Subtotal	7,141,085	3,282,321	-	10,423,406
Accumulated depreciation:				
Buildings	936,010	133,902	-	1,069,912
Improvements	372,151	2,825	-	374,976
Vehicles	294,750	50,193	-	344,943
Equipment and furniture	638,310	100,426	-	738,736
Subtotal	2,241,221	287,346	-	2,528,567
Net capital assets being depreciated	4,899,864	2,994,975	-	7,894,839
Net capital assets	<u>\$ 4,938,469</u>	<u>\$ 3,034,932</u>	<u>\$ -</u>	<u>\$ 7,973,401</u>

# County of Wexford, Michigan

## Notes to Financial Statements December 31, 2003

### Note 5 - Capital Assets (Continued)

	Balance January 1, 2003	Additions	Balance December 31, 2003
<b>Business-type Activities</b>			
Capital assets not being depreciated - Land	\$ 97,806	\$ -	\$ 97,806
Capital assets being depreciated:			
Buildings and building improvements	42,077	287,335	329,412
Site improvements	3,441,641	64,370	3,506,011
Vehicles	428,151	-	428,151
Machinery and equipment	707,798	569,279	1,277,077
Office furnishings	62,049	11,992	74,041
Water distribution system	2,265,010	-	2,265,010
Subtotal	6,946,726	932,976	7,879,702
Accumulated depreciation:			
Buildings and building improvements	25,370	5,795	31,165
Site improvements	875,775	96,475	972,250
Vehicles	209,612	54,999	264,611
Machinery and equipment	285,738	195,477	481,215
Office furnishings	38,512	7,265	45,777
Transportation lines	460,228	45,294	505,522
Subtotal	1,895,235	405,305	2,300,540
Net capital assets being depreciated	5,051,491	527,671	5,579,162
Net capital assets	\$ 5,149,297	\$ 527,671	\$ 5,676,968

Depreciation expense is calculated on the straight-line method over the estimated useful lives as indicated above.

Depreciation is charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 136,936
Public safety	94,431
Recreation and culture	55,979
Total governmental activities	\$ 287,346

# County of Wexford, Michigan

## Notes to Financial Statements December 31, 2003

### Note 5 - Capital Assets (Continued)

Business-type activities:	
Water and wastewater	\$ 57,855
Sanitary landfill	329,739
Other business-type activities	<u>17,711</u>
Total business-type activities	<u>\$ 405,305</u>

In addition, the component unit's fixed assets are composed of the following:

Buildings and land	\$ 13,247,134
Infrastructure - Bridges and roads	21,855,470
Vehicles	1,387,360
Equipment and furniture	6,887,506
Books	<u>1,984,293</u>
Total	45,361,763
Less accumulated depreciation	<u>(17,888,125)</u>
Net	<u>\$ 27,473,638</u>

### Note 6 - Risk Management

The County is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The County has purchased commercial insurance for workers' compensation and excess medical benefit claims, and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, and the Authority uses these premiums to pay claims up to the retention limits, the ultimate liability for those claims remains with the County.

# County of Wexford, Michigan

## Notes to Financial Statements December 31, 2003

### Note 6 - Risk Management (Continued)

The County estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. This liability is classified on the statement of net assets as follows:

Unpaid claims, due within one year	\$ 28,000
Unpaid claims, due in greater than one year	<u>95,788</u>
Total unpaid claims	<u>\$ 123,788</u>

Changes in the estimated liability for the past two fiscal years were as follows:

	<u>2003</u>	<u>2002</u>
Unpaid claims - Beginning of year	\$ 103,045	\$ 78,423
Incurred claims (including claims incurred but not reported)	29,314	27,933
Claim payments	<u>(8,571)</u>	<u>(3,311)</u>
Unpaid claims - End of year	<u>\$ 123,788</u>	<u>\$ 103,045</u>

### Note 7 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes for subsequent year	\$ -	\$ 6,000,090
Community development program income	844,169	-
Public improvement	8,424	-
Special assessments	<u>585,348</u>	<u>-</u>
Total	<u>\$ 1,437,941</u>	<u>\$ 6,000,090</u>

# County of Wexford, Michigan

## Notes to Financial Statements December 31, 2003

### Note 8 - Long-term Debt

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
Building Authority Bonds:							
2002 Building Authority Bonds:							
Amount of issue - \$4,800,000	4.75% -	\$80,000 -					
Maturing through 2032	7.75%	\$310,000	\$ 4,800,000	\$ -	\$ (80,000)	\$ 4,720,000	\$ 80,000
1998 Building Authority Bonds:							
Amount of issue - \$2,100,000							
Defeased in 2003 (See below)			1,780,000	-	(1,780,000)	-	-
General Obligation Bonds:							
1995 Sewer Improvements A -							
Special Assessment Bonds:							
Amount of issue - \$339,000		\$8,000 -					
Maturing through 2025	4.50%	\$20,000	294,000	-	(8,000)	286,000	8,000
1995 Sewer Improvements B -							
Special Assessment Bonds:							
Amount of issue - \$188,000		\$4,000 -					
Maturing through 2025	4.50%	\$11,000	163,000	-	(4,000)	159,000	4,000
1996 Water Supply System -							
Special Assessment Bonds:							
Amount of issue - \$275,000	5.35% -	\$10,000 -					
Maturing through 2016	6.00%	\$20,000	215,000	-	(10,000)	205,000	10,000
Total governmental activities			<u>\$ 7,252,000</u>	<u>\$ -</u>	<u>\$ (1,882,000)</u>	<u>\$ 5,370,000</u>	<u>\$ 102,000</u>
<b>Business-type Activities</b>							
1996 Water Supply System							
Amount of issue - \$800,000	5.60% -	\$15,000 -					
Maturing through 2026	7.40%	\$55,000	\$ 725,000	\$ -	\$ (15,000)	\$ 710,000	\$ 15,000
Equipment Capital Leases:							
2003 Caterpillar							
Amount of issue \$180,168		\$1,774 -					
Maturing through 2008	4.00%	\$2,151	-	180,168	(19,465)	160,703	22,487
2003 Caterpillar							
Amount of issue - \$251,443		\$2,404 -					
Maturing through 2007	4.00%	2,888	-	251,443	(21,482)	229,961	30,185
2003 Caterpillar							
Amount of issue - \$306,804		\$3,647 -					
Maturing through 2008	4.00%	\$69,470	-	306,804	(36,389)	270,415	46,080
Total business-type activities			<u>\$ 725,000</u>	<u>\$ 738,415</u>	<u>\$ (92,336)</u>	<u>\$ 1,371,079</u>	<u>\$ 113,752</u>

# County of Wexford, Michigan

## Notes to Financial Statements December 31, 2003

### Note 8 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above governmental and business-type bonds and contracts are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 102,000	\$ 285,060	\$ 387,060	\$ 113,754	\$ 68,325	\$ 182,079
2005	103,000	277,768	380,768	119,296	63,192	182,488
2006	109,000	270,231	379,231	121,962	57,895	179,857
2007	119,000	262,280	381,280	131,320	52,427	183,747
2008	119,000	253,865	372,865	259,747	40,861	300,608
2009-2013	694,000	1,130,306	1,824,306	115,000	177,953	292,953
2014-2018	824,000	884,456	1,708,456	150,000	140,108	290,108
2019-2023	984,000	670,146	1,654,146	205,000	88,003	293,003
2024-2028	1,181,000	411,268	1,592,268	155,000	19,688	174,688
2029-2033	1,135,000	111,744	1,246,744	-	-	-
Total	<u>\$ 5,370,000</u>	<u>\$ 4,557,124</u>	<u>\$ 9,927,124</u>	<u>\$ 1,371,079</u>	<u>\$ 708,452</u>	<u>\$ 2,079,531</u>

### Defeased Debt

During the year, the County defeased \$1,780,000 of outstanding 1998 Building Authority bonds with an average interest rate of 4.83 percent. In order to defease the bonds, \$1,949,955 was transferred from the Unrestricted Delinquent Tax Fund to the Civic Center Debt Service Fund. This amount was then used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 Building Authority bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the statement of net assets.

### Component Units

Long-term debt of the component units consists of a note payable for \$26,002, two installment purchase contracts for \$79,532 and \$54,484, and a capital lease for \$5,751, maturing through February 2007, and bearing interest at rates ranging from 5.25 percent to 5.29 percent. Of these amounts, \$59,675 is due within one year.



# County of Wexford, Michigan

## Notes to Financial Statements December 31, 2003

### Note 9 - Restricted Net Assets

The net assets of the governmental activities have been restricted for the following purposes:

	Governmental Activities
Public safety	\$ 99,307
Grants and contributions	363,287
Animal control	368,113
Court building activities	27,924
911 wireless activities	111,174
Construction code fees	42,948
Register of deeds technology	52,373
Debt service	434,293
Public health	22,527
Total restricted net assets	<u>\$ 1,521,946</u>

### Note 10 - Postemployment Benefits

The County provides health care benefits to all full-time employees upon retirement. Currently, 31 retirees are eligible. The County includes pre-Medicare retirees and their dependents in its insured health care plan. The County charges the retirees a monthly fee to participate. During the year ended December 31, 2003, the County had collected approximately \$91,000 more from retirees than it had in claims.

### Note 11 - Defined Benefit Pension Plan

#### Plan Description

The County participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers substantially all full-time employees of the County. The MMERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the MMERS. That report may be obtained by writing to the MMERS at 1134 Municipal Way, Lansing, MI 48917.

### Note 11 - Defined Benefit Pension Plan (Continued)

#### Funding Policy

The obligation to contribute to and maintain the MMERS for these employees was established by negotiation with the County's competitive bargaining units and requires a contribution from the employees of 2 percent of gross wages.

#### Annual Pension Cost

For the year ended December 31, 2003, the County's annual pension cost of \$279,996 for the plan was equal to the County's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using the entry age actuarial funding method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) additional projected salary increases of 0 percent to 4.16 percent per year, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period.

The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over a period of 30 years.

#### Schedule of Employer Contributions

Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1997	\$ 132,104	100	None
1998	195,540	100	None
1999	252,372	100	None
2000	256,965	100	None
2001	265,432	100	None
2002	293,925	100	None
2003	279,996	100	None

# County of Wexford, Michigan

## Notes to Financial Statements December 31, 2003

### Note 11 - Defined Benefit Pension Plan (Continued)

#### Schedule of Funding Progress

Actuarial Valuation Date	Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (Percent)	Covered Payroll	UAAL as a Percentage of Covered Payroll (Percent)
12/31/96	12/31/98	\$ 5,452,106	\$ 6,401,704	\$ 949,598	85	\$ 3,268,492	29
12/31/97	12/31/99	6,088,023	7,152,200	1,064,177	85	3,510,214	30
12/31/98	12/31/00	6,887,225	7,705,326	818,101	89	3,824,180	21
12/31/99	12/31/01	8,031,373	8,649,814	618,441	93	4,172,231	15
12/31/00	12/31/02	8,859,890	9,922,616	1,062,726	89	4,121,418	26
12/31/01	12/31/03	9,518,663	10,732,634	1,213,971	89	4,543,382	27
12/31/02	12/31/04	9,847,947	11,908,130	2,060,183	83	4,980,417	41

### Note 12 - Accounting Change

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The County has applied the provisions of this statement in the accompanying financial statements (including notes to financial statements). The County has elected to implement both the general provision of the statement and the retroactive reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the County's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the County's activities, including infrastructure
- A change in the fund financial statements to focus on the major funds
- Capital assets in the governmental activities column of the statement of net assets include infrastructure assets not previously accounted for by the County, as well as assets totaling \$17,583,340 that would previously have been reported in the General Fixed Assets Account Group.
- Capital assets at January 1, 2003, previously reported in the General Fixed Assets Account Group, have been adjusted by \$10,442,255 to reflect the historical cost of the County's capital assets at that date.

### **Note 12 - Accounting Change (Continued)**

- The governmental activities column includes bonds and other long-term obligations totaling \$5,370,000 previously reported in the General Long-term Debt Account Group.
- The Delinquent Tax Funds and Land Reutilization Fund have been reclassified from Internal Service Funds to Enterprise Funds.
- The Public Health Fund has been reclassified from a Special Revenue Fund to a Permanent Fund.

## **Required Supplemental Information**

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# **County of Wexford, Michigan**

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## **Required Supplemental Information Budget Information Year Ended December 31, 2003**

The annual budget is prepared by the County's management and adopted by the Board of Commissioners; subsequent amendments are approved by the Board of Commissioners. Unexpended appropriations lapse at year end. The Board of Commissioners may pass amendments to the budget during the fiscal year by resolution. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a departmental basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund and the Community Development Fund budgets as adopted by the County Commission is included in the additional information. There were no expenditure budget overruns. A comparison of the actual results of operations to the nonmajor funds budgets as adopted by the County Commission is available at the clerk's office for inspection.

# County of Wexford, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 4,872,922	\$ 4,788,922	\$ 4,791,907	\$ 2,985
Licenses and permits	1,550	1,550	1,402	(148)
Federal sources	500,022	572,929	513,590	(59,339)
State sources	1,627,151	1,559,235	1,578,983	19,748
Contributions from local units	-	-	-	-
Charges for services	1,596,872	1,590,472	1,677,457	86,985
Fines and forfeitures	78,200	78,200	49,379	(28,821)
Interest and rent	90,300	46,300	36,180	(10,120)
Other	231,497	249,497	235,364	(14,133)
Total revenue	8,998,514	8,887,105	8,884,262	(2,843)
<b>Expenditures</b>				
<b>Legislative</b> - Board of Commissioners	60,101	60,100	55,204	4,896
<b>Judicial</b>				
Circuit Court	263,123	246,993	239,762	7,231
District Court	515,429	514,931	502,145	12,786
Friend of the Court	599,008	580,534	549,575	30,959
Jury Commission	3,350	3,350	3,015	335
Probate Court	544,501	526,608	519,502	7,106
Probation and Parole	10,355	10,355	10,081	274
Circuit Court Family Counsel	41,412	42,540	42,539	1
Public Defender	227,838	222,838	191,596	31,242
Total judicial	2,205,016	2,148,149	2,058,215	89,934
<b>General Government</b>				
Administrative	133,002	143,241	142,020	1,221
Elections	11,000	1,645	1,256	389
General accounting office	142,008	145,872	145,672	200
County clerk	181,458	188,085	186,941	1,144
Equalization	296,343	287,473	281,702	5,771
Prosecuting attorney	420,440	436,319	421,828	14,491
State survey - Remonumentation	41,463	41,463	41,463	-
Register of deeds	176,335	182,803	182,804	(1)
County treasurer	197,352	201,926	200,071	1,855
Co-op extension	106,743	107,015	103,972	3,043
County building and grounds	399,623	429,739	416,658	13,081
Drain commission	22,159	15,759	14,723	1,036
General services administration	230,896	241,960	232,525	9,435
Soil conservation district	13,000	13,000	13,000	-
Total general government	2,371,822	2,436,300	2,384,635	51,665

# County of Wexford, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures</b> (Continued)				
<b>Public Safety</b>				
Sheriff department	\$ 1,444,812	\$ 1,451,918	\$ 1,433,877	\$ 18,041
Secondary road	89,489	91,055	90,164	891
Marine	25,702	16,776	16,777	(1)
Federal forest	2,805	2,766	2,766	-
Jail	1,700,232	1,876,839	1,866,907	9,932
Snowmobile	19,914	20,422	17,981	2,441
School liaison	59,301	60,647	60,557	90
ORU grant	17,819	18,277	17,424	853
Emergency preparedness	32,325	105,232	102,680	2,552
Total public safety	3,392,399	3,643,932	3,609,133	34,799
<b>Health and Welfare</b>				
District Health Department	387,456	387,456	382,742	4,714
Contagious diseases	5,000	5,000	1,830	3,170
Medical examiner	50,000	54,260	54,260	-
Veterans' burials and foundations	30,000	25,740	18,900	6,840
Northern Michigan Substance Abuse	68,894	68,894	63,413	5,481
Total health and welfare	541,350	541,350	521,145	20,205
<b>Other</b>				
Insurance and bonds	234,657	219,309	219,193	116
Contingency	-	95,000	-	95,000
Northflight	25,000	25,000	25,000	-
Fringe benefits	6,000	5,637	5,637	-
Total other	265,657	344,946	249,830	95,116
<b>Transfer to Airport Authority</b>	45,301	45,301	45,301	-
Total expenditures	8,881,646	9,220,078	8,923,463	296,615
<b>Excess of Expenditures Over Revenue</b>	116,868	(332,973)	(39,201)	293,772
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	650,700	676,049	661,149	(14,900)
Operating transfers out	(767,568)	(593,250)	(591,876)	1,374
Total other financing sources (uses)	(116,868)	82,799	69,273	(13,526)
<b>Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	-	(250,174)	30,072	280,246
<b>Fund Balance - January 1, 2003</b>	1,315,515	1,315,515	1,315,515	-
<b>Fund Balance - December 31, 2003</b>	<u>\$ 1,315,515</u>	<u>\$ 1,065,341</u>	<u>\$ 1,345,587</u>	<u>\$ 280,246</u>



# County of Wexford, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Community Development Fund Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Federal sources	\$ 320,000	\$ 320,000	\$ 243,421	\$ (76,579)
Interest and rent	-	-	225	225
Other	1,000	1,000	31,374	30,374
Total revenue	321,000	321,000	275,020	(45,980)
<b>Expenditures</b> - Community and economic development	321,000	321,000	266,767	54,233
<b>Excess of Revenue Over Expenditures</b>	-	-	8,253	8,253
<b>Fund Balance</b> - Beginning of year	-	22,145	22,145	-
<b>Fund Balance</b> - End of year	<u>\$ -</u>	<u>\$ 22,145</u>	<u>\$ 30,398</u>	<u>\$ 8,253</u>

## **Other Supplemental Information**

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# County of Wexford, Michigan

	Nonmajor Special Revenue Funds				
	Public Safety Fund	Community that Cares	Friend of the Court	Animal Control Fund	Public Improvement Fund
<b>Assets</b>					
Cash	\$ 99,270	\$ 11,110	\$ 10,381	\$ 377,150	\$ 115,307
Investments	37	-	-	232	72
Accounts receivable	-	-	-	-	8,424
Taxes receivable	694,837	-	-	256,057	-
Due from other governmental funds	-	11,313	-	-	-
Contracts receivable	-	-	-	-	-
Prepaid and other assets	-	-	-	-	-
Total assets	<u>\$ 794,144</u>	<u>\$ 22,423</u>	<u>\$ 10,381</u>	<u>\$ 633,439</u>	<u>\$ 123,803</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 12,907	\$ -	\$ 3,476	\$ 1,929
Accrued and other liabilities	-	-	-	5,793	-
Due to other governmental units	-	-	-	-	-
Due to other funds	-	-	10,000	-	-
Deferred revenue	694,837	-	-	256,057	8,424
Total liabilities	694,837	12,907	10,000	265,326	10,353
<b>Fund Balances</b>					
Reserved for Public Health	-	-	-	-	-
Unreserved:					
Designated for subsequent year's expenditures	-	-	-	50,000	-
Undesignated	99,307	9,516	381	318,113	113,450
Total fund balances	99,307	9,516	381	368,113	113,450
Total liabilities and fund balances	<u>\$ 794,144</u>	<u>\$ 22,423</u>	<u>\$ 10,381</u>	<u>\$ 633,439</u>	<u>\$ 123,803</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2003**

Nonmajor Special Revenue Funds							
Community Alternative	Civic Arena Fund	Family Counseling Fund	Court Building Fund	911 Wireless Fund	Law Library Fund	Michigan Justice Fund	Building Inspection
\$ 186,970	\$ 79,426	\$ 5,096	\$ 29,962	\$ 90,200	\$ 2,822	\$ 7,292	\$ 55,819
108	-	-	-	-	-	-	-
-	12,960	-	-	-	-	-	330
-	-	-	-	-	-	-	-
11,716	-	-	-	23,196	-	-	-
-	-	-	-	-	-	-	-
-	5,871	-	-	-	-	-	-
<u>\$ 198,794</u>	<u>\$ 98,257</u>	<u>\$ 5,096</u>	<u>\$ 29,962</u>	<u>\$ 113,396</u>	<u>\$ 2,822</u>	<u>\$ 7,292</u>	<u>\$ 56,149</u>
\$ 4,565	\$ 21,172	\$ -	\$ 2,038	\$ 2,222	\$ 1,369	\$ 480	\$ 1,918
6,919	25,736	-	-	-	-	-	11,283
-	-	-	-	-	-	-	-
-	-	3,800	-	-	-	-	-
-	-	-	-	-	-	-	-
11,484	46,908	3,800	2,038	2,222	1,369	480	13,201
-	-	-	-	-	-	-	-
38,226	-	-	5,722	-	-	-	19,798
149,084	51,349	1,296	22,202	111,174	1,453	6,812	23,150
187,310	51,349	1,296	27,924	111,174	1,453	6,812	42,948
<u>\$ 198,794</u>	<u>\$ 98,257</u>	<u>\$ 5,096</u>	<u>\$ 29,962</u>	<u>\$ 113,396</u>	<u>\$ 2,822</u>	<u>\$ 7,292</u>	<u>\$ 56,149</u>

# County of Wexford, Michigan

	Nonmajor Special Revenue Funds				
	Social Welfare Fund	Juvenile Justice Basic Grant	Child Care Fund	Soldiers' and Sailors' Fund	Veterans' Trust Fund
<b>Assets</b>					
Cash	\$ 96,041	\$ 5,104	\$ 59,463	\$ 1,072	\$ 301
Investments	18,010	-	55	-	-
Accounts receivable	-	-	-	-	-
Taxes receivable	-	-	-	-	-
Due from other governmental funds	-	2,731	-	-	-
Contracts Receivable	-	-	-	-	-
Prepaid and other assets	-	-	-	-	-
Total assets	<u>\$ 114,051</u>	<u>\$ 7,835</u>	<u>\$ 59,518</u>	<u>\$ 1,072</u>	<u>\$ 301</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 6,805	\$ -	\$ -
Accrued and other liabilities	-	-	-	-	-
Due to other governmental units	18,000	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	18,000	-	6,805	-	-
<b>Fund Balances</b>					
Reserved for Public Health	-	-	-	-	-
Unreserved:					
Designated for subsequent year's expenditures	10,000	-	-	-	-
Undesignated	86,051	7,835	52,713	1,072	301
Total fund balances	96,051	7,835	52,713	1,072	301
Total liabilities and fund balances	<u>\$ 114,051</u>	<u>\$ 7,835</u>	<u>\$ 59,518</u>	<u>\$ 1,072</u>	<u>\$ 301</u>

**Other Supplemental Information  
Combining Balance Sheet (Continued)  
Nonmajor Governmental Funds  
December 31, 2003**

Nonmajor Debt Service Funds					Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Register of Deeds Technology	Mesick Project	Haring Township	Courthouse Expansion	Civic Center	Public Health Fund	
\$ 52,373	\$ 232,048	\$ 183,319	\$ 18,707	\$ -	\$ 5,443	\$ 1,724,676
-	133	86	-	-	17,084	35,817
-	-	-	-	-	-	21,714
-	-	-	-	-	-	950,894
-	-	-	-	-	-	48,956
-	252,031	333,317	-	-	-	585,348
-	-	-	-	-	-	5,871
<u>\$ 52,373</u>	<u>\$ 484,212</u>	<u>\$ 516,722</u>	<u>\$ 18,707</u>	<u>\$ -</u>	<u>\$ 22,527</u>	<u>\$ 3,373,276</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,881
-	-	-	-	-	-	49,731
-	-	-	-	-	-	18,000
-	-	-	-	-	-	13,800
-	252,031	333,317	-	-	-	1,544,666
-	252,031	333,317	-	-	-	1,685,078
-	-	-	-	-	20,000	20,000
-	-	1,540	-	-	-	125,286
<u>52,373</u>	<u>232,181</u>	<u>181,865</u>	<u>18,707</u>	<u>-</u>	<u>2,527</u>	<u>1,542,912</u>
<u>52,373</u>	<u>232,181</u>	<u>183,405</u>	<u>18,707</u>	<u>-</u>	<u>22,527</u>	<u>1,688,198</u>
<u>\$ 52,373</u>	<u>\$ 484,212</u>	<u>\$ 516,722</u>	<u>\$ 18,707</u>	<u>\$ -</u>	<u>\$ 22,527</u>	<u>\$ 3,373,276</u>

# County of Wexford, Michigan

	Nonmajor Special Revenue Funds				
	Public Safety Fund	Community that Cares	Friend of the Court	Animal Control Fund	Public Improvement Fund
<b>Revenue</b>					
Taxes	\$ 651,138	\$ -	\$ -	\$ 241,935	\$ -
Special assessments	-	-	-	-	-
Licenses and permits	-	-	-	4,095	-
Federal sources	-	74,920	-	-	-
State sources	-	-	-	-	-
Contributions from local units	-	-	5,196	-	5,009
Charges for services	-	-	5,110	14,179	-
Fines and forfeitures	-	-	-	-	-
Interest income	3,395	-	68	4,295	3,474
Other	-	-	-	436	2,606
Total revenue	654,533	74,920	10,374	264,940	11,089
<b>Expenditures</b>					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Health and welfare	-	-	-	211,913	-
Recreation and culture	-	-	-	-	-
Capital outlay	-	-	-	614	425,180
Other	-	-	-	-	-
Contracted services	-	86,188	-	-	-
Debt service	-	-	-	-	-
Total expenditures	-	86,188	-	212,527	425,180
<b>Excess of Revenue Over (Under)</b>					
<b>Expenditures</b>	654,533	(11,268)	10,374	52,413	(414,091)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	3,750	-	-	-
Transfers out	(622,000)	-	(10,000)	(15,349)	(10,000)
Payment for defeasance of debt	-	-	-	-	-
Total other financing sources (uses)	(622,000)	3,750	(10,000)	(15,349)	(10,000)
<b>Net Change in Fund Balances</b>	32,533	(7,518)	374	37,064	(424,091)
<b>Fund Balances - Beginning of year</b>	66,774	17,034	7	331,049	537,541
<b>Fund Balances - End of year</b>	<u>\$ 99,307</u>	<u>\$ 9,516</u>	<u>\$ 381</u>	<u>\$ 368,113</u>	<u>\$ 113,450</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2003**

Nonmajor Special Revenue Funds							
Community Alternative	Civic Arena Fund	Family Counseling Fund	Court Building Fund	911 Wireless Fund	Law Library Fund	Michigan Justice Fund	Building Inspection
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	3,835	-	-	-	-	-
-	-	-	-	-	-	-	-
113,492	-	-	-	99,635	-	5,427	-
-	-	-	-	-	-	-	-
112,969	285,515	-	-	-	-	-	340,204
-	-	-	59,550	-	-	-	-
1,938	-	28	-	1,616	-	-	-
1,614	-	-	473	-	3,500	-	1,252
<u>230,013</u>	<u>285,515</u>	<u>3,863</u>	<u>60,023</u>	<u>101,251</u>	<u>3,500</u>	<u>5,427</u>	<u>341,456</u>
-	-	-	-	-	20,565	-	-
262,996	-	-	-	1,813	-	4,424	-
-	-	-	139,398	-	-	-	332,003
-	360,669	-	-	-	-	-	-
-	-	-	-	200,043	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>262,996</u>	<u>360,669</u>	<u>-</u>	<u>139,398</u>	<u>201,856</u>	<u>20,565</u>	<u>4,424</u>	<u>332,003</u>
(32,983)	(75,154)	3,863	(79,375)	(100,605)	(17,065)	1,003	9,453
-	140,876	-	-	-	17,500	-	-
-	(41,916)	(3,800)	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>98,960</u>	<u>(3,800)</u>	<u>-</u>	<u>-</u>	<u>17,500</u>	<u>-</u>	<u>-</u>
(32,983)	23,806	63	(79,375)	(100,605)	435	1,003	9,453
220,293	27,543	1,233	107,299	211,779	1,018	5,809	33,495
<u>\$ 187,310</u>	<u>\$ 51,349</u>	<u>\$ 1,296</u>	<u>\$ 27,924</u>	<u>\$ 111,174</u>	<u>\$ 1,453</u>	<u>\$ 6,812</u>	<u>\$ 42,948</u>



# County of Wexford, Michigan

	Nonmajor Special Revenue Funds					
	Social Welfare Fund	Juvenile Justice Basic Grant	Child Care Fund	Soldiers' and Sailors' Fund	Veterans' Trust Fund	Register of Deeds Technology
<b>Revenue</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
State sources	288,438	10,546	118,591	-	3,047	-
Contributions from local units	-	-	20,004	-	-	-
Charges for services	-	-	-	-	-	52,580
Fines and forfeitures	-	-	-	-	-	-
Interest income	442	-	1,809	-	-	235
Other	-	-	1,511	-	-	-
Total revenue	288,880	10,546	141,915	-	3,047	52,815
<b>Expenditures</b>						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Health and welfare	291,741	11,154	482,579	11,615	3,306	-
Recreation and culture	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other	-	-	-	-	-	442
Contracted services	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	291,741	11,154	482,579	11,615	3,306	442
<b>Excess of Revenue Over (Under)</b>						
Expenditures	(2,861)	(608)	(340,664)	(11,615)	(259)	52,373
<b>Other Financing Sources (Uses)</b>						
Transfers in	6,250	-	231,500	12,000	-	-
Transfers out	-	-	-	-	-	-
Payment for defeasance of debt	-	-	-	-	-	-
Total other financing sources (uses)	6,250	-	231,500	12,000	-	-
<b>Net Change in Fund Balances</b>	3,389	(608)	(109,164)	385	(259)	52,373
<b>Fund Balances - Beginning of year</b>	92,662	8,443	161,877	687	560	-
<b>Fund Balances - End of year</b>	<b>\$ 96,051</b>	<b>\$ 7,835</b>	<b>\$ 52,713</b>	<b>\$ 1,072</b>	<b>\$ 301</b>	<b>\$ 52,373</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2003**

Nonmajor Debt Service Funds				Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Mesick Project	Haring Township	Courthouse Expansion	Civic Center	Public Health Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 893,073
57,921	50,504	-	-	-	108,425
-	-	-	-	-	7,930
-	-	-	-	-	74,920
-	-	-	-	-	639,176
-	-	-	-	-	30,209
-	-	-	-	-	810,557
-	-	-	-	-	59,550
2,314	1,868	-	-	105	21,587
-	-	-	-	-	11,392
60,235	52,372	-	-	105	2,656,819
-	-	-	-	-	20,565
-	-	-	-	-	269,233
-	-	-	-	-	1,483,709
-	-	-	-	-	360,669
-	-	-	-	-	625,837
-	-	-	-	-	442
-	-	-	-	-	86,188
32,295	23,531	339,987	49,416	-	445,229
32,295	23,531	339,987	49,416	-	3,291,872
27,940	28,841	(339,987)	(49,416)	105	(635,053)
-	-	339,713	1,999,371	-	2,750,960
-	(21,204)	-	-	-	(724,269)
-	-	-	(1,949,955)	-	(1,949,955)
-	(21,204)	339,713	49,416	-	76,736
27,940	7,637	(274)	-	105	(558,317)
204,241	175,768	18,981	-	22,422	2,246,515
<b>\$ 232,181</b>	<b>\$ 183,405</b>	<b>\$ 18,707</b>	<b>\$ -</b>	<b>\$ 22,527</b>	<b>\$ 1,688,198</b>

# County of Wexford, Michigan

	Nonmajor Enterprise Funds		
	Wastewater Collection System #1	Wastewater Collection System #3	Haring Township Water System
<b>Assets</b>			
Current assets:			
Cash	\$ 57,416	\$ 13,178	\$ 85,097
Investments	530,000	-	500,000
Accounts receivable	-	34,634	22,686
Taxes receivable - Delinquent	-	-	-
Due from other governmental units	-	-	-
Total current assets	587,416	47,812	607,783
Noncurrent assets - Capital assets	24,584	16,293	1,767,837
Total assets	612,000	64,105	2,375,620
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	7,132	4,701	7,240
Accrued and other liabilities	2,121	1,293	10,908
Current portion of long-term debt	-	-	15,000
Total current liabilities	9,253	5,994	33,148
Noncurrent liabilities - Long-term debt - Net of current portion	-	-	695,000
Total liabilities	9,253	5,994	728,148
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	24,584	16,293	1,057,837
Unrestricted	578,163	41,818	589,635
Total net assets	<u>\$ 602,747</u>	<u>\$ 58,111</u>	<u>\$ 1,647,472</u>

**Other Supplemental Information**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
**December 31, 2003**

Nonmajor Enterprise Funds

Village of Mesick Wastewater Disposal System	Aquatic Nuisance Enterprise Fund	Recycling Fund	2001 Delinquent Tax Fund	Land Reutilization	Totals
\$ 51,311	\$ 13,020	\$ 156,216	\$ 210,876	\$ 120,961	\$ 708,075
-	-	-	-	-	1,030,000
38,711	-	-	1,689	-	97,720
-	-	-	142,496	-	142,496
-	-	-	5,856	-	5,856
90,022	13,020	156,216	360,917	120,961	1,984,147
9,550	2,793	263,646	-	-	2,084,703
99,572	15,813	419,862	360,917	120,961	4,068,850
7,966	-	5,375	-	-	32,414
1,252	-	1,762	188	-	17,524
-	-	-	-	-	15,000
9,218	-	7,137	188	-	64,938
-	-	-	-	-	695,000
9,218	-	7,137	188	-	759,938
9,550	2,793	263,646	-	-	1,374,703
80,804	13,020	149,079	360,729	120,961	1,934,209
<b>\$ 90,354</b>	<b>\$ 15,813</b>	<b>\$ 412,725</b>	<b>\$ 360,729</b>	<b>\$ 120,961</b>	<b>\$ 3,308,912</b>

# County of Wexford, Michigan

	Nonmajor Enterprise Funds		
	Wastewater Collection System #1	Wastewater Collection System #3	Haring Township Water System
<b>Operating Revenue</b>			
Charges for service	\$ 192,442	\$ 117,433	\$ 198,661
Administrative revenue	-	-	-
Reimbursement of expense of sale	-	-	-
Interest on delinquent taxes	-	-	-
Other revenue	3,686	1,197	34,601
Total operating revenue	196,128	118,630	233,262
<b>Operating Expenses</b>			
Salaries and benefits	74,282	42,866	87,996
Cost of services	128,114	67,767	89,039
Administrative	6,637	4,049	8,815
Contractual	14,182	12,996	16,092
Depreciation	4,665	3,441	46,872
Legal and paying agent fees	-	-	-
Other	-	-	-
Total operating expenses	227,880	131,119	248,814
<b>Operating Income (Loss)</b>	(31,752)	(12,489)	(15,552)
<b>Nonoperating Income (Loss)</b>			
Interest earnings	10,173	127	11,814
Bond interest expense	-	-	(44,850)
Total nonoperating income (loss)	10,173	127	(33,036)
<b>Operating Transfers In</b>	-	-	21,204
<b>Operating Transfers Out</b>	-	-	-
<b>Changes in Net Assets</b>	(21,579)	(12,362)	(27,384)
<b>Net Assets - Beginning of year</b>	624,326	70,473	1,674,856
<b>Net Assets - End of year</b>	<u>\$ 602,747</u>	<u>\$ 58,111</u>	<u>\$ 1,647,472</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenses, and Changes in Net Assets**  
**Nonmajor Enterprise Funds**  
**Year Ended December 31, 2003**

Nonmajor Enterprise Funds					
Village of Mesick Wastewater Disposal System	Aquatic Nuisance Enterprise Fund	Recycling Fund	Clam Lake Sewer System Fund	1995 Delinquent Tax Fund	1996 Delinquent Tax Fund
\$ 49,782	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	374	852
-	-	-	-	-	-
-	-	-	-	9,945	20,132
-	-	1,890	-	-	-
49,782	-	1,890	-	10,319	20,984
30,454	-	50,515	-	-	-
19,893	-	21,840	-	-	-
2,437	13,523	1,487	-	-	-
4,643	-	2,161	-	-	-
2,877	782	16,929	-	-	-
-	258	-	-	-	-
-	-	-	-	-	-
60,304	14,563	92,932	-	-	-
(10,522)	(14,563)	(91,042)	-	10,319	20,984
389	120	982	-	164	520
-	-	-	-	-	-
389	120	982	-	164	520
-	-	217,598	-	-	-
-	-	-	(34,979)	(40,386)	(109,429)
(10,133)	(14,443)	127,538	(34,979)	(29,903)	(87,925)
100,487	30,256	285,187	34,979	29,903	87,925
<b>\$ 90,354</b>	<b>\$ 15,813</b>	<b>\$ 412,725</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# County of Wexford, Michigan

	Nonmajor Enterprise Funds		
	1998 Delinquent Tax Fund	2000 Delinquent Tax Fund	2001 Delinquent Tax Fund
<b>Operating Revenue</b>			
Charges for service	\$ -	\$ -	\$ 12,729
Administrative revenue	2,669	34,841	32,313
Expense of sale	540	2,040	15,030
Interest on delinquent taxes	39,671	45,109	129,330
Other revenue	-	-	-
Total operating revenue	42,880	81,990	189,402
<b>Operating Expenses</b>			
Salaries and benefits	-	-	-
Cost of services	-	-	-
Administrative	-	-	-
Contractual	-	-	-
Depreciation	-	-	-
Legal and paying agent fees	-	-	419
Other	-	3,377	59
Total operating expenses	-	3,377	478
<b>Operating Income (Loss)</b>	42,880	78,613	188,924
<b>Nonoperating Income (Loss)</b>			
Interest earnings	2,989	3,826	8,458
Bond interest expense	-	-	-
Total nonoperating income (loss)	2,989	3,826	8,458
<b>Operating Transfers In</b>	-	-	-
<b>Operating Transfers Out</b>	(509,705)	(492,965)	-
<b>Changes in Net Assets</b>	(463,836)	(410,526)	197,382
<b>Net Assets - Beginning of year</b>	463,836	410,526	163,347
<b>Net Assets - End of year</b>	\$ -	\$ -	\$ 360,729

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenses,**  
**and Changes in Net Assets (Continued)**  
**Nonmajor Enterprise Funds**  
**Year Ended December 31, 2003**

Nonmajor  
Enterprise Fund

Land Reutilization	Totals
\$ -	\$ 571,047
12,628	83,677
-	17,610
-	244,187
-	41,374
12,628	957,895
-	286,113
-	326,653
12,209	49,157
-	50,074
-	75,566
-	677
-	3,436
12,209	791,676
419	166,219
1,296	40,858
-	(44,850)
1,296	(3,992)
-	238,802
-	(1,187,464)
1,715	(786,435)
119,246	4,095,347
<b>\$ 120,961</b>	<b>\$ 3,308,912</b>



# County of Wexford, Michigan

	Wastewater Collection System #1	Wastewater Collection System #3	Haring Township Water System
<b>Cash Flows from Operating Activities</b>			
Receipts from customers/payments (to) from other governmental units	\$ 196,129	\$ 117,550	\$ 232,789
Payments to suppliers	(149,894)	(91,052)	(110,748)
Payments to employees	(74,483)	(42,759)	(86,713)
Net cash provided by (used in ) operating activities	(28,248)	(16,261)	35,328
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchase of capital assets	(325)	-	-
Principal and interest paid on capital debt	-	-	(59,850)
Net cash used in capital and related financing activities	(325)	-	(59,850)
<b>Cash Flows from Noncapital and Related Financing Activities</b>			
Internal activity - Payments from other funds	-	-	21,204
Internal activity - Payments to other funds	-	-	-
Net cash provided by (used in) noncapital and related financing activities	-	-	21,204
<b>Cash Flows from Investing Activities</b>			
Interest received on investments	10,173	127	11,814
Proceeds from the sale and maturities of investment securities	(2,232,024)	-	(1,829,669)
Purchase of investment securities	2,272,425	-	1,741,869
Net cash provided by (used in) investing activities	50,574	127	(75,986)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	22,001	(16,134)	(79,304)
<b>Cash and Cash Equivalents - January 1, 2003</b>	35,415	29,312	164,401
<b>Cash and Cash Equivalents - December 31, 2003</b>	<u><u>\$ 57,416</u></u>	<u><u>\$ 13,178</u></u>	<u><u>\$ 85,097</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>			
Operating income (loss)	\$ (31,752)	\$ (12,489)	\$ (15,552)
Adjustments to reconcile operating income (loss) to net cash from operating activities - Changes in assets and liabilities:			
Accounts receivable	-	(1,080)	(473)
Depreciation	4,665	3,441	46,872
Accounts payable	(961)	(6,240)	3,197
Accrued and other liabilities	(200)	107	1,284
Net cash provided by (used in) operating activities	<u><u>\$ (28,248)</u></u>	<u><u>\$ (16,261)</u></u>	<u><u>\$ 35,328</u></u>

**Other Supplemental Information  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
Year Ended December 31, 2003**

Village of Mesick

Wastewater Disposal System	Aquatic Nuisance Enterprise Fund	Recycling Fund	Clam Lake Sewer System Fund	1995 Delinquent Tax Fund	1996 Delinquent Tax Fund
\$ 41,571	\$ -	\$ 1,890	\$ -	\$ 31,354	\$ 66,408
(23,020)	(13,781)	(21,211)	(1,717)	-	-
(30,060)	-	(49,761)	-	-	-
(11,509)	(13,781)	(69,082)	(1,717)	31,354	66,408
-	-	(4,916)	-	-	-
-	-	-	-	-	-
-	-	(4,916)	-	-	-
-	-	217,598	-	-	-
-	-	-	(34,979)	(40,386)	(109,429)
-	-	217,598	(34,979)	(40,386)	(109,429)
389	120	982	-	164	520
-	-	-	-	-	-
-	-	-	-	-	-
389	120	982	-	164	520
(11,120)	(13,661)	144,582	(36,696)	(8,868)	(42,501)
62,431	26,681	11,634	36,696	8,868	42,501
<b>\$ 51,311</b>	<b>\$ 13,020</b>	<b>\$ 156,216</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
\$ (10,522)	\$ (14,563)	\$ (91,042)	\$ -	\$ 10,319	\$ 20,984
(8,211)	-	-	-	21,035	45,424
2,877	782	16,929	-	-	-
3,953	-	4,277	(1,717)	-	-
394	-	754	-	-	-
<b>\$ (11,509)</b>	<b>\$ (13,781)</b>	<b>\$ (69,082)</b>	<b>\$ (1,717)</b>	<b>\$ 31,354</b>	<b>\$ 66,408</b>

# County of Wexford, Michigan

	1998 Delinquent Tax Fund	2000 Delinquent Tax Fund	2001 Delinquent Tax Fund
<b>Cash Flows from Operating Activities</b>			
Receipts from customers/payments (to) from other governmental units	\$ 133,092	\$ 239,247	\$ 1,015,152
Payments to suppliers	(53)	(3,500)	(290)
Payments to employees	-	-	-
Net cash provided by (used in) operating activities	133,039	235,747	1,014,862
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchase of capital assets	-	-	-
Principal and interest paid on capital debt	-	-	-
Net cash used in capital and related financing activities	-	-	-
<b>Cash Flows from Noncapital and Related Financing Activities</b>			
Internal activity - Payments from other funds	-	-	-
Internal activity - Payments to other funds	(509,705)	(692,965)	(2,600,000)
Net cash provided by (used in) noncapital and related financing activities	(509,705)	(692,965)	(2,600,000)
<b>Cash Flows from Investing Activities</b>			
Interest received on investments	2,989	3,826	8,458
Proceeds from the sale and maturities of investment securities	-	-	-
Purchase of investment securities	308,155	-	-
Net cash provided by (used in) investing activities	311,144	3,826	8,458
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(65,522)	(453,392)	(1,576,680)
<b>Cash and Cash Equivalents - January 1, 2003</b>	65,522	453,392	1,787,556
<b>Cash and Cash Equivalents - December 31, 2003</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,876</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>			
Operating income (loss)	\$ 42,880	\$ 78,613	\$ 188,924
Adjustments to reconcile operating income (loss) to net cash from operating activities - Changes in assets and liabilities:			
Accounts receivable	90,212	157,257	825,750
Depreciation	-	-	-
Accounts payable	(53)	(123)	188
Accrued and other liabilities	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 133,039</u>	<u>\$ 235,747</u>	<u>\$ 1,014,862</u>

**Other Supplemental Information**  
**Combining Statement of Cash Flows (Continued)**  
**Nonmajor Enterprise Funds**  
**Year Ended December 31, 2003**

Land Reutilization	Totals
\$ 12,628	\$ 2,087,810
(12,209)	(427,475)
<u>-</u>	<u>(283,776)</u>
419	1,376,559
-	(5,241)
<u>-</u>	<u>(59,850)</u>
-	(65,091)
-	238,802
<u>-</u>	<u>(3,987,464)</u>
-	(3,748,662)
1,296	40,858
-	(4,061,693)
<u>-</u>	<u>4,322,449</u>
<u>1,296</u>	<u>301,614</u>
1,715	(2,135,580)
<u>119,246</u>	<u>2,843,655</u>
<b><u>\$ 120,961</u></b>	<b><u>\$ 708,075</u></b>
\$ 419	\$ 166,219
-	1,129,914
-	75,566
-	2,521
<u>-</u>	<u>2,339</u>
<b><u>\$ 419</u></b>	<b><u>\$ 1,376,559</u></b>

## County of Wexford, Michigan

### Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds December 31, 2003

	General Agency Fund	Library Agency Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 908,354	\$ 108,819	\$ 1,017,173
Bank deposits	<u>24,874</u>	<u>124</u>	<u>24,998</u>
Total assets	<u><b>\$ 933,228</b></u>	<u><b>\$ 108,943</b></u>	<u><b>\$ 1,042,171</b></u>
<b>Liabilities</b>			
Accrued and other liabilities	\$ 27,017	\$ -	\$ 27,017
Due to other governmental units	<u>906,211</u>	<u>108,943</u>	<u>1,015,154</u>
Total liabilities	<u><b>\$ 933,228</b></u>	<u><b>\$ 108,943</b></u>	<u><b>\$ 1,042,171</b></u>

# **Wexford County, Michigan**

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**Federal Awards  
Supplemental Information  
December 31, 2003**

# Wexford County, Michigan

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## Independent Auditor's Report

To the Board of Commissioners  
Wexford County, Michigan

We have audited the basic financial statements of Wexford County, Michigan for the year ended December 31, 2003 and have issued our report thereon dated May 6, 2004. We did not audit the financial statements of the following component units: Cadillac-Wexford Transit Authority, Wexford County Airport Authority, Wexford County Road Commission, and Cadillac-Wexford Public Library. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units, is based solely on the reports of the other auditors. The report of the other auditors on the Cadillac-Wexford Public Library (the "Library") disclosed that the financial statements did not include the General Fixed Assets Account Group, and that the Library has not maintained a record of its general fixed assets. Accounting principles generally accepted in the United States of America require inclusion of the General Fixed Assets Account Group in the financial statements. Those basic financial statements are the responsibility of the management of Wexford County, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Wexford County, Michigan taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

May 6, 2004



A worldwide association of independent accounting firms



Report Letter on Compliance with Laws and Regulations and  
Internal Control - Basic Financial Statements

To the Board of Commissioners  
Wexford County, Michigan

We have audited the financial statements of Wexford County, Michigan as of and for the year ended December 31, 2003 and have issued our report thereon dated May 6, 2004. We did not audit the financial statements of the following component units: Cadillac-Wexford Transit Authority, Wexford County Airport Authority, Wexford County Road Commission, and Cadillac-Wexford Public Library. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units, is based solely on the reports of the other auditors. The report of the other auditors on the Cadillac-Wexford Public Library (the "Library") disclosed that the financial statements did not include the General Fixed Assets Account Group and that the Library has not maintained a record of its general fixed assets. Accounting principles generally accepted in the United States of America require inclusion of the General Fixed Assets Account Group in the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Wexford County, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

To the Board of Commissioners  
Wexford County, Michigan

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Wexford County, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Audit Committee, the Board of Commissioners, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

May 6, 2004

Report Letter on Compliance with Laws and Regulations and  
Internal Control - Major Federal Awards

To the Board of Commissioners  
Wexford County, Michigan

**Compliance**

We have audited the compliance of Wexford County, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2003. The major federal programs of Wexford County, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Wexford County, Michigan's management. Our responsibility is to express an opinion on Wexford County, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wexford County, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Wexford County, Michigan's compliance with those requirements.

In our opinion, Wexford County, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

To the Board of Commissioners  
Wexford County, Michigan

## **Internal Control Over Compliance**

The management of Wexford County, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Wexford County, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Audit Committee, the Board of Commissioners, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

May 11, 2004

# Wexford County, Michigan

## Schedule of Expenditures of Federal Awards Year Ended December 31, 2003

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Health and Human Services - Passed through the State of Michigan Family Independence Agency:				
Title IV D Cooperative Reimbursement for 2003/2004 - Prosecutor	93.563	CS/PA-04-83002	\$ 37,690	\$ 9,392
Title IV D Cooperative Reimbursement for 2002/2003 - Prosecutor	93.563	CS/PA-03-83002	41,846	28,807
Title IV D Cooperative Reimbursement for 2003/2004 - Friend of the Court	93.563	CS/FOC-04-83001	220,787	32,457
Title IV D Cooperative Reimbursement for 2002/2003 - Friend of the Court	93.563	CS/FOC-03-83001	231,570	137,816
Title IV D Cooperative Reimbursement for 2003/2004 - Friend of the Court - Missaukee Co.	93.563	CS/FOC-04-83001	83,118	12,219
Title IV D Cooperative Reimbursement for 2002/2003 - Friend of the Court - Missaukee Co.	93.563	CS/FOC-03-83001	77,190	51,882
Title IV D Medical Support Enforcement Contract - 2003/2004	93.563	CS/MED-04-83001	20,128	4,575
Title IV D Medical Support Enforcement Contract - 2002/2003	93.563	CS/MED-03-83001	20,128	<u>13,723</u>
Total Title IV D				290,871
AFDC Maintenance Assistance - 2001/2002	93.560	None	38,047	38,047
AFDC Maintenance Assistance - 2002/2003	93.560	None	25,452	18,328
AFDC Maintenance Assistance - 2003/2004	93.560	None	3,575	3,575
Access and Visitation Program	93.597	None	8,100	-
Information and Assistance Grant - 2002/2003	93.044	None	6,695	5,022
Information and Assistance Grant - 2003/2004	93.044	None	6,695	<u>1,673</u>
Total U.S. Department of Health and Human Services				357,516
U.S. Department of Housing and Urban Development - Community Development Block Grant - Funds passed through the Michigan State Housing Development Authority - Housing Program 2001	14.219	MSC-2001-5831-HOA	300,000	243,421
U.S. Federal Emergency Management Agency - Passed through State Police - Emergency Management Division:				
Emergency preparedness for fiscal year 2003/2004	83.552	None	2,446	2,446
Emergency preparedness for fiscal year 2002/2003	83.552	None	9,785	7,653
2002/2003 supplemental funds	83.562	None	782	782
2002/2003 supplemental funds	83.562	None	22	22
Supplemental funds grant	83.562	None	16,857	<u>14,167</u>
Total U.S. Federal Emergency Management Agency				25,070

# Wexford County, Michigan

## Schedule of Expenditures of Federal Awards (Continued) Year Ended December 31, 2003

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Justice - Passed through the State of Michigan:				
State Homeland Security Grant Program	16.007	None	\$ 54,800	\$ -
State Domestic Preparedness Program	16.007	None	56,788	56,350
State Domestic Preparedness Program	16.007	None	37,800	82
Juvenile Justice Grant/Community That Cares	16.540	34094-3DP02	75,000	58,025
Juvenile Justice Grant/Community That Cares	16.540	JP03-83001	37,500	10,731
Juvenile Accountability Incentive Block Grant	16.523	JAIBG#02-83001	41,192	2,769
Juvenile Accountability Incentive Block Grant	16.523	JAIBG#02-83001	8,041	2,334
Juvenile Accountability Incentive Block Grant	16.523	JAIBG#03-83001	5,573	4,176
Juvenile Accountability Incentive Block Grant	16.523	JAIBG#03-83001	40,512	37,134
School Liaison Officer 2002/2003	16.580	ODCP #80047-4L02	37,600	25,201
School Liaison Officer 2003/2004	16.580	ODCP #80047-5-03-L	42,213	10,705
Bulletproof Vest Partnership	16.607	None	1,545	1,545
U.S. Department of Justice - Passed through Missaukee County:				
Byrne Memorial Formula Grant Program fiscal year 2003/2004	16.579	70772-06-03b	33,317	8,262
Byrne Memorial Formula Grant Program fiscal year 2003/2004	16.579	70772-2K02	35,716	<u>23,618</u>
Total U.S. Department of Justice				240,932
U.S. Department of Transportation - Passed through the State of Michigan:				
HMEP Grant	20.703	None	396	396
Airport Improvement Grant	20.106	B-26-0015-093	103,500	89,990
Operating Grant - Section 5311	20.509	02-0023/Z5	131,392	131,392
Rural Transit Assistance Program	20.509	RTAP02/03	3,500	3,500
Federal Transit Capital Improvement Grant	20.500	02-0023	38,098	<u>38,098</u>
Total U.S. Department of Transportation				263,376
U.S. Department of Labor - Passed through the State of Michigan -				
Reed Act/Gates Foundation Grant	17.207	None	4,460	<u>4,460</u>
Total federal awards				<u>\$ 1,134,775</u>

## Wexford County, Michigan

### Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended December 31, 2003

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 831,931
Add Title IV-D Cooperative Reimbursement Missaukee County, shown net of related expenditures of \$64,101 on the financial statements	64,101
Add Byrne Memorial Formula Grant Program, shown net of related expenditures of \$31,880 on the financial statements	31,880
Add adjustment of prior year estimate of grant receivable	(783)
Add expenditures incurred in the current year for revenue received and recorded in the prior year	83
Add component units revenue from federal sources included in the statement of net assets on the basic financial statements	274,135
Less nonfederal portion of Juvenile Accountability Incentive Block Grant included in federal revenue	(4,424)
Less payment in lieu of taxes by the federal government that do not represent grant revenue	(58,948)
Less Federal Forest Patrol contract revenue	<u>(3,200)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><b>\$ 1,134,775</b></u>

# Wexford County, Michigan

## Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2003

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Wexford County, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount
Title IV-D Cooperative reimbursement for 2002/2003 and 2003/2004 - Friend of the Court - Missaukee	93.563	\$ 64,101
Community Development Block Grant for 2001 - Northwest Michigan Human Services Agency, Inc.	14.219	243,421
Juvenile Justice Community That Cares Grant for 2002 and 2003 - District Health Department #10	16.540	68,756



# Wexford County, Michigan

## Schedule of Findings and Questioned Costs Year Ended December 31, 2003

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes X None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes X No

#### Federal Awards

Internal control over major program:

- Material weakness identified? \_\_\_\_\_ Yes X No
- Reportable conditions identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes X None reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes X No

Identification of major program:

CFDA	
Number	Name of Federal Program or Cluster
93.563	U.S. Department of Health and Human Services - Title IV-D
14.219	U.S. Department of Housing and Urban Development - Community Development Block Grant
16.540	U.S. Department of Justice - Juvenile Justice Community That Cares Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes X No

# **Wexford County, Michigan**

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## **Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2003**

### **Section II - Financial Statement Audit Findings**

None

### **Section III - Federal Program Audit Findings**

None

May 6, 2004

Board of Commissioners  
Wexford County  
437 East Division  
Cadillac, Michigan 49601

Dear Commissioners:

We have recently completed our audit of the financial statements of Wexford County for the year ended December 31, 2003. Because of our audit, and in addition to our financial report, we offer the following comments and recommendations.

### **NEW FINANCIAL STATEMENT FORMAT**

During the current year, the County, along with many other communities in Michigan, was required to implement a new accounting pronouncement that has changed the format and content of your financial statements. The information that was previously provided in your financial statements has been retained in the new financial statement format. In addition, the following major items have been added:

- *Management Discussion and Analysis:* Management is now required to give an overview of the County's overall financial position and results of operations.
- *Government-wide Financial Statements:* These additional statements adjust the normal fund-based statements into a combined, full-accrual format. This allows a financial statement reader to see the County from a longer term perspective (i.e. are today's taxpayers paying the full cost of today's services?). These statements show capital and infrastructure assets, as well as long term debt as part of the County's financial picture.
- *Budget Comparison:* A financial statement reader will now be able to view the actual revenue and expenditures of the County, not only as compared to the amended budget, but also as compared to the original budget.

While getting used to the new format may take a while, the Management's Discussion and Analysis section of the new reporting format, as mentioned above, provides an overview of the County's finances, as well as major projects worked on throughout the year.

Accumulating the information necessary for the new financial statement format has meant a significant amount of work for the County's finance department. The County's staff has done an excellent job of preparing the necessary schedules, as well as assisting and cooperating with the audit work being done on those schedules.

We would be happy to discuss any questions you may have about the new statements and how to best interpret the information provided.

## **INTERNAL CONTROL STRUCTURE**

In planning and performing our audit of the financial statements of the County as of December 31, 2003, we considered the County's existing internal control structure in order to determine the nature and extent of our auditing procedures for the purpose of expressing an opinion on the financial statements. As part of this analysis, we noted several minor items that require correction or represent opportunities for improvement. These items were communicated to the County Administrator and DPW Director.

None of the items represented matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control system that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

## **FIVE-YEAR FINANCIAL FORECAST**

As a result of the current downturn in the economy and reductions in both federal and state funding, many of our municipal clients are experiencing financial challenges. The County is experiencing these same challenges. Since 1999, the County's General Fund fund balance has decreased each year, except for the current year, partly due to planned reductions, and partly through the external difficulties mentioned above. During this five year period, the fund balance in the General Fund has decreased approximately \$570,000. The County has monitored its fund balance decrease through the budgeting process over the last several years.

Due to this consistent and substantial decrease in fund balance, and in order to assist the County in its efforts to monitor its fund balance in the future, we recommend that a five-year financial forecast model be prepared beyond the current budget year. The model would provide the County with an estimate of future financial conditions for the coming five-year period. This financial model should be developed as an automated spreadsheet program that would allow the County to quickly and easily evaluate any number of '*what if*' scenarios concerning future operational or financial options. The financial estimates contained within the model would provide a comprehensive assessment of financial trends and results, and allow the County to consider both the '*big picture*' as well as the more specific trends that compromise the County. We have assisted a number of other governmental units who have felt this was a worthwhile and meaningful project.

## **COMPUTER SECURITY**

As municipal governments have become more reliant on computer technology to deliver core business processes, it is increasingly apparent that attention needs to be given to the security of computer systems. While the private sector has been forced to devote significant resources to this area for a couple of years now, organizations in the public sector are beginning to see the need for similar attention. Items for consideration include the ability of employees to access or manipulate data or programs inappropriately, firewalls for Internet access points, and physical security/disaster recovery plans.

## **COMPUTER SECURITY (Continued)**

A government's data assets are such that their loss or impaired usage can have devastating consequences. As a result, we strongly recommend that you assess your information systems and network environments and develop strategies to ensure that risks associated with down time, hacker intrusions and virus attacks are minimized in a secured environment.

## **PROTECTING THE COUNTY FROM FRAUD – POSITIVE PAY SYSTEMS**

Due to the continued sophistication of devices such as scanners and color copiers, the risk of check fraud is growing. Annual losses due to check fraud in the U.S. are estimated to be beyond \$12 billion. With these devices, dishonest individuals can take a valid check, a canceled check, or a voided check and either duplicate or modify the check for fraudulent use. Making matters worse, where banks once protected their customers for this type of check fraud, sentiment is beginning to change, where ultimately it may be the customer's responsibility to cover fraudulent checks.

To combat this problem, many banks have introduced a tool called "positive pay", which verifies each check presented to the bank against a file of written checks that is electronically transmitted from the customer to the bank. Funds are not relieved from the customer's account unless the check matches the information transmitted, or until the customer approves the check. The cost of this tool is very low. A side benefit is that it allows the bank to prepare an outstanding checklist as a by-product of this service. We recommend that the County give consideration to implementing a positive pay system.

We would like to thank Pam and her staff at the general accounting office, Wendy and her staff at the Treasurer's office, and all of the County's personnel for their assistance during the audit. We appreciate the opportunity to continue as the County's auditors. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

**PLANTE & MORAN, PLLC**



Leslie J. Pulver



Christopher M. Weber